NEWFOUNDLAND AND LABRADOR

The ECONOMY 06

The Right Choices:

Momentum for Growth and Prosperity

106-03799/

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The Economy is an annual publication providing a review of economic performance in Newfoundland and Labrador and an outlook for the medium term. Data used in this publication is current as of March 15, 2006 but is subject to revision. For the most current information contact the Economic Research & Analysis Division.

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Published under the authority of:
Honourable Loyola Sullivan
Minister of Finance and President of Treasury Board

Cape St. Mary's Ecological Reserve

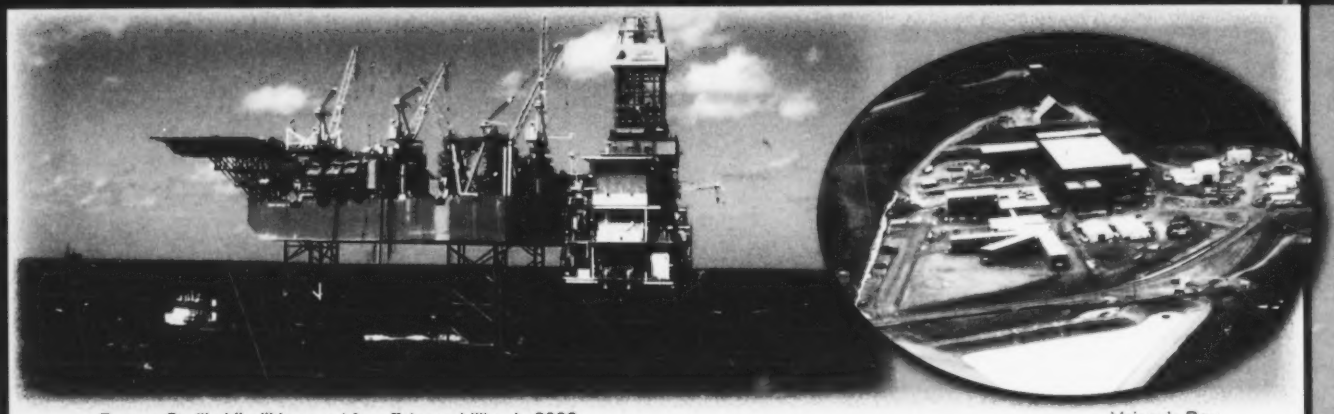
2005 Highlights

Hydromet demonstration facility at Argentia

SeaRose FPSO heads offshore for hook-up with the White Rose oil field

- Real Gross Domestic Product (GDP) increased by 1.7% in 2005 due to modest growth in consumption, government spending, investment and exports.
- Employment was essentially unchanged.
- The unemployment rate declined to 15.2%, its lowest level since 1981.
- Both real personal income and real personal disposable income increased by 0.8%.
- Inflation averaged 2.6% in 2005, up from 1.8% in 2004, due primarily to higher energy prices.
- Retail sales expanded by 2.2% to $5.9 billion.
- Residential construction investment increased by 3.1% even though housing starts fell by 13% to 2,498 units. The increased investment reflected higher valued houses and strong renovation spending.
- Capital investment increased to over $4.3 billion, up 1.8% over 2004 levels.
- Aggregate tourism indicators were up. Visitors to the province increased by 4.5% to 469,600 and expenditures rose by 4.9% to $336 million.
- The value of manufacturing shipments declined by 2.8% to $2.98 billion from the record high posted in 2004.
- The volume of fish landings declined by 2.5% to 326,300 tonnes but was the second highest since 1991. The value of fish landings (including seals) declined 23.9% to $461.3 million.
- Offshore oil production declined 3.1% in 2005 to 111.3 million barrels primarily due to lost production time at the Terra Nova facility.
- First oil flowed from White Rose in November.
- Newsprint shipments totalled 761,788 tonnes, 4.1% higher than 2004. Shipment value increased 7.5% to about $560 million.
- Abitibi-Consolidated closed its Stephenville newsprint mill in October.
- The value of iron ore shipments doubled to almost $1.3 billion due to a combination of higher production and prices.
- The first shipments of nickel concentrate from Voisey's Bay took place in the fourth quarter.

2006 Expectations



Rowan Gorilla VI will be used for offshore drilling in 2006

Voisey's Bay

- Real GDP is expected to grow by 6.2%, mainly due to higher mineral and oil production.
- Employment is expected to grow 0.6% to 215,400 and the unemployment rate is forecast to decline 0.2 percentage points to 15.0%.
- Real personal income is forecast to grow 2.1% and real disposable income is expected to grow 2.3%.
- An inflation rate of 2.2% is forecast for the year—0.4 percentage points lower than 2005.
- Retail sales are expected to increase to over $6 billion, up 2.3% over 2005.
- Housing starts are expected to decline by 8.5% to 2,287 units with pent-up demand for new homes now satisfied.
- Capital investment is projected to decrease by 6.9% to $4.0 billion as a result of the completion of the construction phases of the Voisey's Bay and White Rose developments.
- Offshore oil production is expected to increase by 17.5% to 130.8 million barrels in 2006 even though output from the Hibernia and Terra Nova fields is expected to decline. Production at White Rose is expected to increase significantly during 2006 as the project records its first full year of operation. The Terra Nova decline of about 26% is due mainly to a 90 day planned FPSO retrofit.
- Exploration drilling is expected to pick up in 2006.
- Tourism performance is expected to hold steady. The shift in mode of travel, from auto to air, will likely continue.
- Newsprint shipments are expected to decline by about 20% to 610,000 tonnes due to the closure of the Stephenville mill. Newsprint prices are expected to increase by about 5% to US$640.
- The value of manufacturing shipments is forecast to decrease in 2006 as a result of lower newsprint shipments and the completion of construction on the White Rose project.
- Lower quotas of crab and consequent lower landings are expected in 2006. Landings of most other species are likely to remain on par with 2005 levels.
- Iron ore shipments are expected to reach 21.5 million tonnes in 2006, an increase of 7.6% relative to 2005.
- The total value of mineral shipments is expected to increase sharply as the first full year of production is recorded at Voisey's Bay.

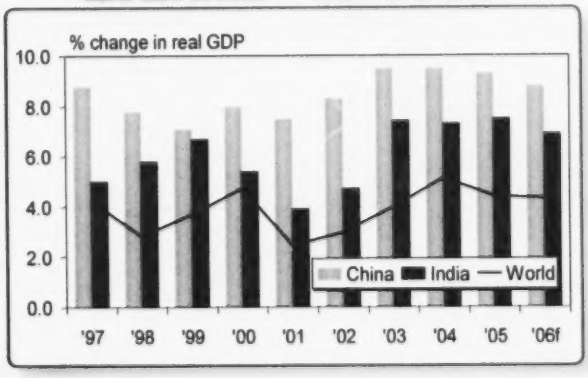
Global Economic Environment

World

Global economic growth continued at a solid pace last year with real GDP expanding by 4.4% on a purchasing power parity basis. China and India experienced rapid growth as both benefitted from increasing globalization. The U.S. economy showed resilience despite high energy prices and rising interest rates. Growth in these countries, together with renewed economic momentum in Japan, were the main factors supporting world growth. The European Union continued to be restrained by an appreciated currency, high oil prices and lagging consumer confidence.

World economic growth is expected to remain strong in 2006, although growth in China and India is expected to moderate somewhat. European Union performance is expected to improve due to low interest rates and dissipating effects of past Euro appreciation. Economic performance in the U.S. and Japan is expected to be on par with last year as strong domestic demand offsets the impacts of higher oil prices. Overall, world GDP is expected to grow by 4.3%.

GDP Growth: China, India and the World — 1997 to 2006f



f: forecast
Various sources

World Real GDP Growth (%)

	2005	2006f
WORLD	4.4	4.3
United States	3.5	3.3
China	9.3	8.8
Japan	2.8	2.5
European Union	1.3	1.9
India	7.5	6.9
Canada	**2.9**	**3.2**

f: forecast
Various sources

United States

U.S. economic growth slowed somewhat in 2005, but the economy continued to expand at a solid pace. Real GDP grew by 3.5% compared to 4.2% the previous year. Gains in economic activity were broad-based as residential investment and consumer spending performed well despite the restraining impacts of rising interest rates, increased energy prices and hurricanes which struck the Gulf Coast in the third quarter. Business investment and exports also exhibited strong growth as momentum carried over from the previous year enabled the U.S. economy to weather unexpected shocks largely unscathed.

U.S. labour markets continued to improve last year. Employment increased by 1.5% and the unemployment rate declined from 5.4% at the end of 2004 to 4.9% in December 2005. Labour force participation stabilized after falling for four straight years.

With the U.S. economy expanding and labour markets improving, the Federal Reserve Board (Fed) continued to raise interest rates throughout 2005 in an attempt to head off potential inflationary pressures. Since June 2004, when interest rates were at historically low lev-

els, the Fed slowly raised the Federal funds rate with 14 successive 0.25 percentage point increases to the current rate of 4.50%. Most forecasters agree that the current tightening cycle is now close to its peak and interest rates will probably stabilize near current levels in 2006.

A country's current account deficit represents net borrowing from foreigners to finance current spending. The U.S. current account deficit continued to increase in 2005 driven to record levels by high oil prices, strong domestic demand and federal government spending. Economists continue to express concern over the current account deficit, which stood at 6.4% of GDP last year, and the Federal government budget deficit which amounted to 2.6% of GDP. If the current account deficit continues for too long and government debt continually increases, foreign investors may lose confidence in the U.S. economy and start withdrawing their money from the country. This would put downward pressure on the U.S. dollar and may cause a major slowdown in economic growth. Such a slowdown would have significant negative implications for the Canadian and Newfoundland and Labrador economies.

Despite the current account deficit, the U.S. dollar managed to rebound somewhat last year, supported by higher interest rates and weak economic growth in the EU. After depreciating sharply during the 2002 to 2004 period, the U.S. dollar appreciated roughly 9% against major currencies on a trade weighted basis during 2005.

Real GDP and employment are expected to grow by 3.3% and 1.3% respectively this year, as consumer spending growth continues at a solid pace. Higher interest rates should cool the housing market, but business investment should benefit from healthy profits and rebuilding hurricane damaged areas. Continued concern over the federal budget deficit and the record high trade deficit, combined with stabilizing interest rates is expected to lead to renewed depreciation of the U.S. dollar in 2006. Export growth should continue to benefit from a lower dollar.

Canada

The Canadian economy continued to perform well in 2005, led by resource based growth in the Western provinces. Stiff international competition brought on by globalization, high energy prices and the rising dollar forced major restructuring in the manufacturing sector, particularly in Ontario and Quebec. Gains elsewhere in the economy led to overall real GDP growth of 2.9% last year. Economic growth was driven by consumer spending as low interest rates, tight labour markets and strong labour income growth kept consumers spending. Business investment also continued at a rapid pace aided by low interest rates, healthy corporate profits and falling import prices for machinery and equipment.

Labour markets continued to improve despite weakness in the manufacturing sector as gains in mining, oil and gas, construction and service sector employment far exceeded losses elsewhere. Employment increased by 1.4% and the annual average unemployment rate fell to a 30 year low of 6.8%.

Canadian interest rates remained relatively stable in the first half of 2005 as the economy adjusted to the appreciation of the dollar and rising energy prices. In the second half of the year, however, improvements in exports and manufacturing shipments indicated that the economy was adjusting well. With the unemployment rate near 30 year lows and the economy operating near full capacity, the Bank of Canada raised the overnight rate five times since last September to its current level of 3.75%.

The Canadian dollar out-performed all other major currencies in 2005 spurred on by strong economic fundamentals, high commodity prices, and rising interest rates. At the end of 2005, the Canadian dollar was hovering near 86 cents U.S., up from roughly 81 cents at the start of the year. Most forecasters think that the Canadian dollar will remain in the 85 to 90 cent U.S. range in the coming quarters, supported by high commodity prices and renewed weakness in the U.S. dollar.

Canadian GDP is expected to grow by 3.2% in 2006 and employment is forecast to increase by 1.4%. With strong income gains, relatively low interest rates and reduced import prices, consumer spending and business investment are expected to perform well. Strong world demand and high commodity prices will continue to boost oil and gas and mineral exports. Rising interest rates are expected to cool activity in the housing sector, however, and the high dollar in combination with high energy costs and stiff international competition will continue to force restructuring in the manufacturing sector.

Provincial Economic Overview

Cape Anquille

Grates Cove

Review of 2005

Economic growth resumed in 2005 after a slight contraction in 2004. Real GDP grew by an estimated 1.7%. Growth was broad-based with moderate gains recorded in consumption, government spending, investment and exports.

Consumption of goods and services is estimated to have grown by about 3.0% to $10.2 billion last year. Adjusted for inflation, consumer spending rose by an estimated 1.3%. Retail sales, which account for about 55%-60% of consumption, increased by 2.2% to $5.9 billion. Growth in sales of new cars, gasoline and supermarket items were largely responsible for gains in total retail sales. The number of new cars sold increased by 8.7% to 24,899 units.

Government current expenditures rose by 3.4% in 2005 (1.7% in real terms) as both provincial and federal governments increased spending.

Real exports rose by 2.1% in 2005 due to higher mineral and newsprint shipments. Mineral shipments increased significantly as iron ore production rebounded from strike-depressed levels in 2004 and Voisey's Bay production came on stream. Newsprint shipments grew by 4.1% despite the closure of Abitibi-Consolidated's Stephenville mill in October 2005.

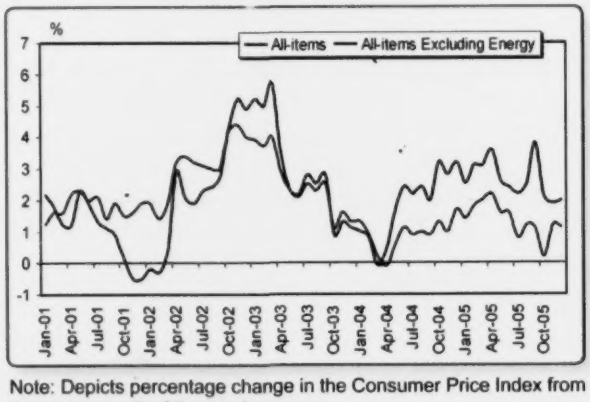
Total capital investment increased by 1.8% to $4.3 billion in 2005. Oil and gas spending combined with higher investment by government and healthy residential spending contributed to the rise in capital expenditures. While housing starts declined in 2005, residential construction investment increased by 3.1% driven by strong renovation spending and construction of higher valued homes.

Employment averaged 214,100 last year, virtually unchanged from 2004. The average number of people in the labour force fell by 0.7%. This allowed the unemployment rate to decline by 0.5 percentage points to 15.2% from 15.7% in 2004.

Despite sluggish employment performance, total labour income rose by 4.6% last year because of an increase in average wages. Gains in labour income resulted in an increase in personal income. Total personal income increased by an estimated 3.4% to $13.3 billion.

In 2005, the Consumer Price Index (CPI) rose by 2.6% compared to 2004, due primarily to higher energy prices. Energy prices increased by 11.8% in 2005 compared to the previous year. Growth in the all-items excluding energy index was much lower than growth in the all-items index, as illustrated in the accompanying diagram, averaging only 1.3% in 2005.

Inflation Rate



Note: Depicts percentage change in the Consumer Price Index from the same month of the previous year.
Department of Finance; Statistics Canada

Outlook for 2006

Real GDP is expected to record strong growth of 6.2% in 2006. In fact, most forecasters expect Newfoundland and Labrador to lead the country in growth this year. Growth will stem primarily from higher mineral and oil exports.

Real exports are expected to rise by 10.8% this year as the first full year of production at Voisey's Bay boosts mineral output and oil production is buoyed by the first full year of production from White Rose. Declines in newsprint and fish products are expected to be a drag on export growth this year. Newsprint shipments are expected to decrease due to the closure of the Stephenville mill and fish landings are expected to fall because of lower crab catches.

Retail sales are expected to increase by 2.3%, driven by income gains. Personal income and disposable income are expected to grow by 4.4% and 4.6% respectively, spurred by wage gains and tax cuts.

Capital investment is expected to decline by 6.9% due to the completion of the construction phases of the White Rose and Voisey's Bay projects. Despite declines on these two projects, construction activity will be positively impacted by a significant increase in provincial government infrastructure spending. Total investment will remain near historically high levels at $4.0 billion.

Employment is forecast to increase by 0.6% to 215,400. Losses in major project construction and newsprint jobs are expected to be offset by increased service sector employment. Employment gains are expected to marginally outpace labour force growth, resulting in a slight decline in the unemployment rate from 15.2% to 15.0%. Population decline is expected to continue (-0.5%) as strong labour markets in Western Canada continue to result in net out-migration.

Housing starts are forecast to decline by 8.5% as interest rates and construction prices become less favourable and pent-up demand has been satisfied in the last few years.

Beyond 2006

Real GDP will get a boost in 2007 from a rebound in Terra Nova oil production—production will be constrained this year because of downtime related to the planned retrofit of the FPSO. Under current forecast assumptions, real GDP is projected to decline over the following two years as first Terra Nova and then Hibernia exhaust peak reserves. However, many other economic indicators are much more stable over the forecast period as changes in oil production have the greatest impact on GDP. Other indicators such as employment and income continue to show modest growth over the entire forecast period. The medium-term outlook would be improved by higher than projected oil production and/or the development of Hebron, Lower Churchill or other large-scale projects.

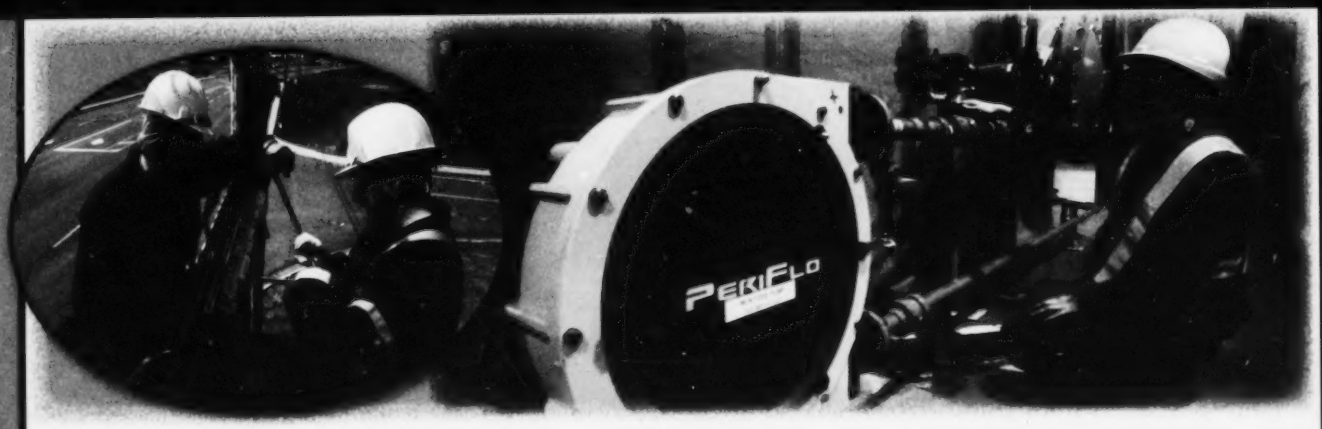
Salvage

Economic Indicators

	2005	2006f	2007f	2008f	2009f
Real GDP					
at Market Prices (97$m)	15,511	16,472	17,093	16,835	16,582
% change	1.7	6.2	3.8	-1.5	-1.5
Personal Income ($m)	13,285	13,869	14,191	14,484	14,941
% change	3.4	4.4	2.3	2.1	3.2
% change, real	0.8	2.1	0.3	0.1	1.1
CPI (1997=100)	116.5	119.1	121.5	123.9	126.5
% change	2.6	2.2	2.0	2.0	2.0
Retail Sales ($m)	5,884	6,017	6,096	6,186	6,381
% change	2.2	2.3	1.3	1.5	3.2
% change, real	-1.1	1.1	-0.1	0.0	1.7
Housing Starts	2,498	2,287	2,129	2,040	1,996
% change	-13.0	-8.5	-6.9	-4.2	-2.1
Capital Investment ($m)	4,318	4,018	3,795	3,797	3,721
% change	1.8	-6.9	-5.6	0.1	-2.0
% change, real	2.0	-6.5	-6.3	-1.9	-3.0
Employment (000s)	214.1	215.4	217.4	219.2	221.5
% change	-0.1	0.6	0.9	0.8	1.1
Unemployment Rate (%)	15.2	15.0	14.6	14.2	13.8
Population (000s)	516.0	513.5	511.5	510.2	509.4
% change	-0.3	-0.5	-0.4	-0.3	-0.2

For forecast assumptions visit: www.economics.gov.nl.ca/frcstassumptions.asp
f: forecast, Department of Finance, March 2006
Statistics Canada; Economic Research and Analysis Division, Department of Finance

Employment Growth 1997-2005

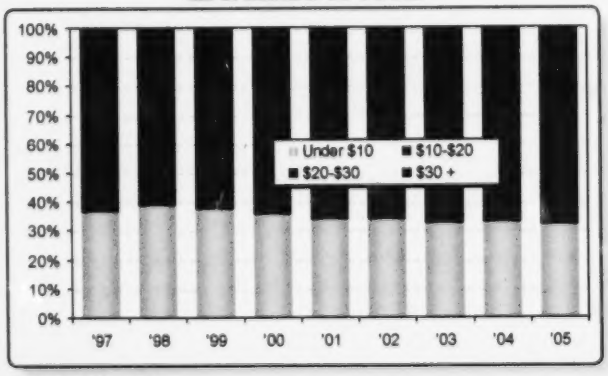


The most recent period of labour market improvements began in 1997 when employment growth resumed, after declining significantly from 1990 to 1996. Between 1997 and 2005, employment increased by 13.7% or 25,800. While the change in overall employment is indicative of the strength of labour markets specifically and the economy in general, it is also informative to look at some of the characteristics of employment and how these have changed over the last nine years.

Employment growth since 1997 has been concentrated in full-time employment. Full-time employment (persons who work 30 hours or more per week at their main or only job) has trended upwards while part-time employment has remained virtually flat. Full-time employment now comprises about 85% of total employment compared to about 83% in 1997.

Employment growth was widespread throughout the goods and services sectors. Among the goods producing industries, a notable increase was posted in the construction industry which is reflective of rising construction investment over the last number of years. Within the service sector, trade, business services, and accommodation and food services, all recorded significant growth. Employment growth in these industries is reflective of expansions in the retail sector, growth in customer contact centres, and continued growth in tourism, respectively. Public administration was the only industry that recorded a notable employment decline.

Employment by Hourly Wage as a Share of Total



Statistics Canada

Employment gains have accrued to both men and women over the past nine years, however, the increase in employment for women was almost twice that of men. Employment for women increased by 17,100 over the period while employment for men increased by 8,700. Female employment now accounts for 48.1% of total employment compared to 45.6% in 1997.

Job growth since 1997 has been in higher paying jobs. In fact, all net employment growth has been recorded in jobs paying $20 per hour or more. Much of this growth in well-paying jobs can be attributed to the development of the oil industry—both direct and indirect jobs associated with the oil industry are generally well-paying—and rising wages in general. The number of jobs paying less than $20 per hour has actually declined over the 1997 to 2005 period. That being said, most employment in Newfoundland and Labrador still pays less than $20 per hour with a fairly large portion paying less than $10 per hour as illustrated in the accompanying diagram.

While employment increased in all regions of the province from 1997 to 2005, the bulk of the employment increase has occurred in the St. John's area. Most other regions have yet to recoup employment losses sustained in the 1990s. The St. John's CMA is the largest service centre in the province and accounted for about 41.3% of total employment in 1997. Its share of total employment grew to 42.2% in 2005.

Meeting the Labour Supply Challenge

The Supply Crunch

In order to produce goods and services industry needs an adequate supply of workers with the appropriate skill sets. At the same time, demographic and technological trends indicate that worldwide labour market conditions will tighten significantly in the future. Over the next 10 to 15 years, the industrialized world is expected to face the full brunt of skilled labour shortages. Why? Aging populations, the need to adapt to rapidly advancing technologies and the effects of globalization are all expected to contribute to challenging labour market trends. Only by understanding these trends, and by designing and implementing solid labour market policies will economies be able to adequately cope with future labour market shortages.

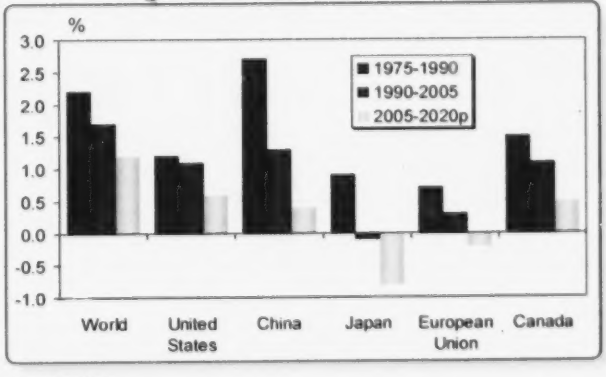
In industrialized countries, the number of workers retiring from the labour market will exceed new entrants within 10 years. The baby-boom generation (those born between 1946 and 1966) currently account for about 30% of the population in these countries. This group is just now beginning to turn 60 years old, pointing to rapidly increasing retirement rates over the next 15 years. With much smaller age cohorts coming behind the baby boom bubble, it appears as if there will not be enough new workers available to fill the job openings created by retirements and normal economic growth.

Pressure for workers in industrialized countries to sharpen their skill sets has been increasing and will continue to do so for years to come. As emerging and developing countries enter the world market with many lower cost goods and services, the ability of industrialized countries to compete globally rests on productivity growth in conjunction with technological advances and innovation. These circumstances will require workers to learn new skills and to constantly refresh and upgrade their existing skill sets. Failure to prepare and meet the labour challenge carries with it the potential for broad societal and economic consequences including implications for living standards.

This challenge faces all regions in Canada, with some regions experiencing it sooner than others. In fact, Western Canada, particularly Alberta, with its low unemployment rate and rising mega project investment, is already grappling with recruitment and retention issues. In Newfoundland and Labrador, population trends are posing a challenge. While immigration is expected to help keep Canada's working age population (15-64 years) growing to 2019, the working age population in this province is already declining.

Some provincial sectors and occupations will feel the pressure more quickly and intensely than others. Concerns about existing skills shortages are already being voiced in a number of industries including health, manufacturing, mining, oil and gas, construction and retail

Annual Growth in Working Age Population (15-64 Years Old)



p: projection
Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat

trade. Specific occupational shortages are being noted in the skilled trades, management occupations and occupations associated with the marine sector.

Considering the opportunities that lie ahead for the province, particularly those related to the development of major projects such as Hebron, Lower Churchill and a Voisey's Bay hydromet facility, responding to the challenge of skills and labour availability is a priority.

Opportunities and Solutions

While demographic trends are difficult to influence in the short to medium term, there are many approaches that can be employed to address potential labour market shortages. Stakeholders throughout the industrialized world have identified common strategies to deal with the challenge, and these strategies are presented in the table below.

Stakeholders within this province also recognize the challenge before them and have engaged in a wide variety of partnerships and initiatives which are based on many of the strategies outlined below. Some examples of the types of initiatives underway (at various stages of progress) follow.

Come Work With Us—a communications strategy developed by the Petroleum Industry Human Resources Committee to raise awareness about career opportunities in the petroleum industries among secondary school students and people who influence their career decisions.

Construction Sector Council's Labour Market Information Committee—a partnership initiative among construction sector representatives, post-secondary institutions and government aimed at increasing information about future demands and industry labour market issues.

Essential Skills Initiative—a pilot initiative launched as a partnership between the College of the North Atlantic and the Canadian Manufacturers and Exporters—Newfoundland and Labrador Division to promote the importance of essential skills and introduce the Test of Workplace Essential Skills as a tool for assessing essential skills in the workplace.

Heavy Equipment Training Program—a partnership between the Iron Ore Company of Canada and the College of the North Atlantic to develop and implement company specific training to meet local labour demands in Labrador West.

Identifying Skills Gaps in the Labour Market—an initiative led by the Department of Human Resources, Labour and Employment (HRLE) in partnership with business and labour to develop information and tools to better identify current and emerging skills shortages and needs, including background work for the development of a provincial occupational labour supply forecasting model.

Immigration Strategy—a provincial government initiative aimed at increasing the number of Canadian immigrants settling in Newfoundland and Labrador.

Common Strategies for Addressing Skills Shortages

Education and Training	• Increasing lifelong learning & workplace-based training • Increasing access to local training opportunities, especially in rural areas • Increasing employability through education & skills development • Strengthening the responsiveness of the post-secondary education system to industry demands • Strengthening apprenticeship programs
Participation Rates	• Increasing participation of marginalized workers, including persons with disabilities, aboriginal groups, women & youth • Increasing participation of older workers & incentives to stay in the workforce
Demographic Factors	• Increasing natural population growth, immigration & in-migration from other provinces
Labour Market Information	• Increasing access to better information about the extent and nature of current & emerging shortages
Stakeholder Collaboration	• Strengthening partnerships & collaboration among business, labour & governments
Business Supports	• Increasing retention & recruitment capacities within industries & communities • Increasing supports for human resource planning among small & medium size firms
Youth Career Planning	• Increasing awareness about career opportunities among high school students

Labrador Inuit Integrated Nursing Program—a partnership initiative between the Nunatsiavut Government, Memorial University and the College of the North Atlantic to train nurses specifically to help meet the demand in the Inuit communities on the north coast of Labrador.

Labour Market Sub-Committee of the Strategic Partnership Initiative—a high level partnership among business, labour and government with a mandate to identify and respond to labour market and human resource development needs over the medium to long-term.

Labour Resource Inventory—an on-line tool developed by the Town of Gander to capture resumés from workers interested in working in target industries and occupations (e.g., aerospace industry, trades) within the town—an example of a community initiative to increase access to and availability of skilled labour.

Marine Careers Secretariat—a partnership among industry, post-secondary institutions and government to promote marine transportation and offshore career and training opportunities.

Newfoundland and Labrador Federation of Labour Literacy Project—an initiative aimed at increasing literacy skills and the establishment of plain language training programs in our workplaces.

Shaping the Provincial Apprenticeship System—a strategic approach to the promotion and delivery of apprenticeship, it will include the development of initiatives to increase job opportunities for apprentices, improve program completion and enhance transferability of programs and credentials across Canada.

Skills Task Force—a strategic partnership between business, labour, government and post-secondary institutions to develop a joint action plan to meet future skill requirements, particularly those associated with large scale development projects.

Strengthening Partnerships in the Labour Market—an initiative led by HRLE in partnership with business and labour to develop detailed regional labour market information and tools to increase information about local opportunities and challenges, support human resource planning at the regional level and facilitate opportunities for partnership development. Regional labour market information workshops, a provincial symposium, a directory of labour market programs and services and a provincial labour market information web site are key activities.

Tourism Labour Market Study—an initiative of Hospitality Newfoundland and Labrador to study the labour demand and supply expectations for the tourism industry. Includes providing recommendations to meet various tourism human resource requirements including skills gaps and training needs.

Women in Resource Development Committee—an organization that encourages the participation of women in the trades and technology sectors. An example of an initiative is the *Techsploration* program which provides young women with an opportunity to explore trades, technical and technology-related occupations.

Summary

The industrialized world will be facing intense competition for skilled workers over the near term. This challenge is true for all regions of Canada including Newfoundland and Labrador. Meeting the labour challenge is paramount for sustained economic growth and a general improvement to living standards. The solution to this challenge involves deploying a number of strategies including increasing the participation of marginalized and older workers, and enhancing education and training programs. Stakeholders in this province, through partnership initiatives, are demonstrating their commitment to meet the challenge. Continued work in this area will have far-reaching benefits for many sectors of the provincial economy and for workers in the province.

Meeting the labour challenge is key to maximizing economic growth and improving living standards

This article was a collaborative effort of the Department of Finance and the Department of Human Resources, Labour and Employment.

Fishing vessel

Groundfish processing facility

The fishing industry is of vital importance to Newfoundland and Labrador as the harvesting and processing of seafood is the primary economic generator in many rural communities. The fishing industry (both harvesting and processing) contributed approximately 3.5% to total provincial GDP and about 7.5% to total employment in 2005.

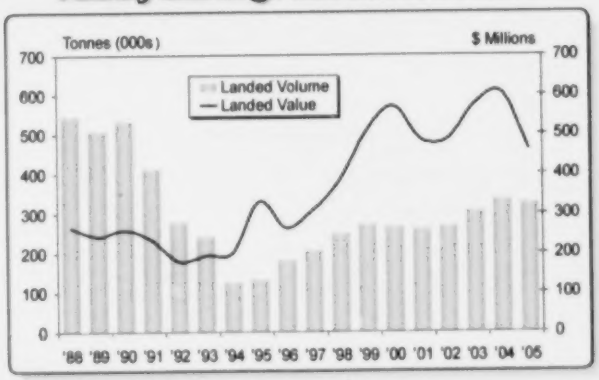
Last year presented several challenges for the fishing industry. In the crab sector, the fishery got off to a late start; soft markets combined with a higher Canadian dollar resulted in lower returns to both fish harvesters and processors; and resource challenges constrained landings. The shrimp sector continued to face weak markets. In the groundfish sector, competition from China in both input and output markets, exchange rate changes, and resource constraints continued to challenge operators. Ultimately, this may lead to plant closures and a restructuring of many operations. Despite these challenges, seafood production value was $913.5 million in 2005. While this represents a decline from the $1.2 billion recorded in 2004, it remains near historically high levels.

Market Overview

The United States and China are the province's largest markets for fish and seafood products with 41% and 22% respectively exported to these countries. Exchange rates remained a major issue last year, particularly for processors exporting to the United States. The Canadian dollar continued to strengthen during the year, relative to the U.S. dollar, negatively impacting profit margins on products traded in U.S. currency.

China continued to dominate world markets for frozen groundfish. Low labour rates and a readily available supply of capital, provide China with the ability to produce low cost fish products. This creates a competitive challenge for Newfoundland and Labrador producers.

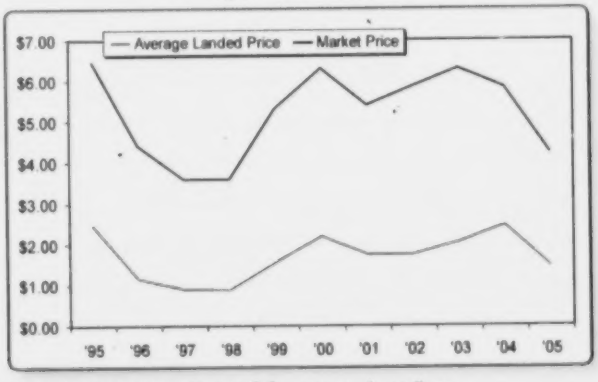
Fishery Landings and Landed Values



Department of Fisheries and Aquaculture

Crab prices declined last year in response to high inventories, falling demand, and the appreciation of the Canadian dollar. The average price for five to eight ounce snow crab sections fell from about $5.85 per pound in 2004 to $4.23 per pound in 2005. This, in turn, resulted in lower prices for harvesters, as illustrated in the accompanying diagram.

Snow Crab Prices $ Per Pound



Note: Market price refers to 5-8 ounce crab sections.
DFO; Urner Barry Publications, Inc. Seafood Price Current; Department of Finance

For shrimp processors, the strengthening dollar and the high European Union (EU) tariff were the two most significant factors contributing to another challenging year in 2005. The 20% EU tariff continued to negatively impact Newfoundland and Labrador shrimp producers, making it very difficult to compete against Nordic shrimp producers who are not subject to the same tariff.

Performance

The volume of fish landings totalled 326,300 tonnes in 2005, a decrease of 2.5% compared to 2004. The overall landed value decreased by 23.9% from a record $606 million in 2004 to $461 million in 2005, due mainly to reductions in crab landings and lower crab prices.

Groundfish landings increased by 11.1% to 59,300 tonnes, due primarily to the opening of the Gulf cod fishery and increased landings for yellowtail flounder, redfish and turbot. The landed value of groundfish increased by only 0.7%, as increases in volume were offset by lower prices for some products, particularly lumpfish roe.

Pelagic landings declined by 2.3% from 93,700 tonnes in 2004 to 91,500 tonnes in 2005. Significantly lower catches of mackerel were mitigated by higher landings of capelin and herring. The landed value of pelagics increased from $23.5 million to $33.5 million, due mainly to higher mackerel prices paid to fish harvesters.

Landings of shellfish declined by 6.5% in 2005 to 175,600 tonnes. The decline was due primarily to lower crab catches. Lower crab quotas for most fishing areas and a late start to the crab fishery contributed to overall lower landings. Shrimp landings remained virtually unchanged from 2004, as lower inshore landings were offset by higher landings by the offshore sector. The lower volume of landings, combined with a substantial reduction in crab prices, resulted in the value of shellfish landings declining by over 30% to $350 million.

Aquaculture

The aquaculture sector showed solid growth in 2005 despite exchange rate challenges in key markets. The aquaculture industry continued its focus on four main commercial species: Atlantic salmon, steelhead, mussels and cod. The combined volume for all aquaculture species in 2005 was almost 8,200 tonnes, an increase of 45% from 5,600 tonnes in 2004. The overall export value of the aquaculture industry rose to $33.5 million, from $22 million the previous year.

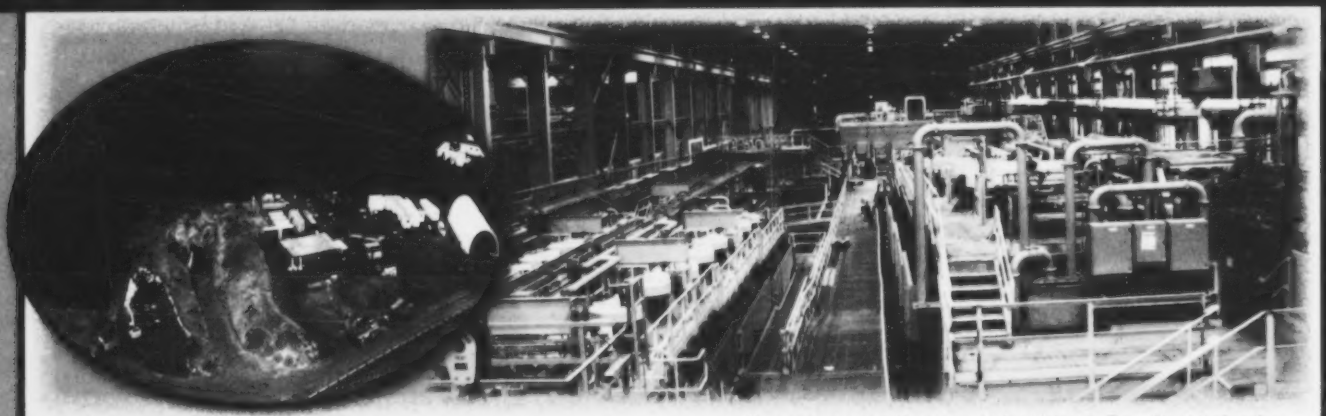
Fish Landings

	2004 (R)	2005 (P)	% Change
Landings (000s tonnes)			
Groundfish	53.3	59.3	11.1
Pelagics	93.7	91.5	-2.3
Shellfish	187.8	175.6	-6.5
Total	334.8	326.3	-2.5
Seals (# 000s)	326.1	290.1	-11.0
Landed Value ($ millions)			
Groundfish	61.5	61.9	0.7
Pelagics	23.5	33.5	42.9
Shellfish	505.8	350.1	-30.8
Seals	15.3	15.7	2.7
Total	606.1	461.3	-23.9

Note: R - Revised; P - Preliminary; % change calculated on unrounded data.
Department of Fisheries and Aquaculture

Outlook 2006

- Total fish landings are expected to decline slightly due primarily to lower catches of crab.
- Unfavourable exchange rates, soft markets for key products and competition from China will continue to present challenges for the fishing industry.
- Markets for seals are expected to remain strong.
- The aquaculture sector will continue to expand.



Construction at Duck Pond mine

Concentrator flotation area at the Voisey's Bay site in Labrador

The mining industry in Newfoundland and Labrador is a significant contributor to the provincial economy, directly accounting for about 3.0% of GDP and 1.4% of employment. This compares with 1.0% of GDP and 0.4% of employment at the national level. With production commencing at Voisey's Bay in late 2005 and other mining projects on the horizon, the mining industry is poised to contribute even more to the provincial economy.

The value of provincial mineral shipments was $1.5 billion in 2005, representing an 120% increase over 2004. Resolution of labour disputes at both Wabush Mines and the Iron Ore Company of Canada (IOC), strong growth in iron ore prices, and first shipments from Voisey's Bay were responsible for the increase in shipment value.

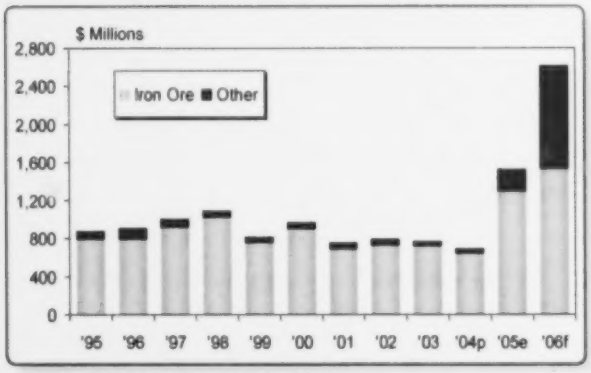
IOC and Wabush Mines

In 2005, iron ore comprised more than 84% of the value of total mineral shipments, making it the main driver of industry performance. Global consumption of iron ore has trended upwards in recent years driven mainly by rising Chinese demand. As a result of strong demand, iron ore prices soared to record highs in 2005, increasing by about 70%.

The volume of iron ore shipments increased by 30% in 2005. Output was depressed in 2004 due to labour disputes at both IOC and Wabush Mines. IOC shipped a total of 15.0 million tonnes in 2005, up 30% relative to 2004. Wabush Mines shipped 5.0 million tonnes in 2005, up almost 29% relative to 2004. Iron ore production was approximately 87% of capacity in 2005.

IOC made significant investments during 2005 by retrofitting its concentrator and purchasing seven new locomotives and three new haulage trucks. In total, investment in these areas was about $65 million.

Value of Mineral Shipments



p: preliminary; e: estimate; f: forecast
Department of Natural Resources; Department of Finance

Voisey's Bay Nickel Company

During 2005, the Voisey's Bay project made the transition from construction to production. Mining activity began in April 2005 and the concentrator was commissioned in August. The first nickel concentrate shipment from Labrador occurred in November and the first finished nickel of Voisey's Bay origin is expected to reach markets in early 2006. Direct employment (construction/mining) with Voisey's Bay Nickel Company Limited (VBNC) averaged nearly 1,470 people during 2005. VBNC shipped approximately 15,000 tonnes of product (nickel-copper-cobalt) during 2005.

In October 2005 the hydrometallurgical demonstration facility was officially opened in Argentia. The purpose of this facility is to test and refine the hydrometallurgical process to determine its commercial feasibility. Testing of the hydromet process will be conducted over the next two years. At the end of this period a decision

will be made on the type of commercial processing facility to construct. VBNC has identified a site near Long Harbour as the location for the commercial plant.

The Inco Innovation Centre at Memorial University of Newfoundland opened in September 2005. The focus of the Innovation Centre is on education and research in mineral exploration, mining and metallurgical processing. The Innovation Centre will provide world-class education, research and training related to the mining industry to 50-60 students per year.

Other Minerals

In addition to VBNC, Wabush Mines and IOC, there are several other smaller mineral producers in the province supplying an array of products such as slate, dolomite and limestone. In 2005, most of these producers maintained production levels on par with 2004.

Aur Resources Inc.

Aur Resources Inc. is currently developing the Duck Pond base metals deposit. The deposit is located approximately 30 kilometres south of the now defunct Buchans base-metal mine. Development commenced in December 2004 and continued throughout 2005. Total capital expenditures for the project are approximately $100 million with over $60 million to be spent in 2006. The mine is scheduled to start producing late in 2006. On an annual basis, the company expects that the mine will produce around 41 million pounds of copper, 76 million pounds of zinc, 536,000 ounces of silver and 4,100 ounces of gold. When operational, the mine is expected to employ about 190 people annually.

New Developments

There are several additional potential mining developments in the province including the Pine Cove Gold mine and the Beaver Brook Antimony Mine.

In January 2005, Anaconda Gold Corporation announced a production decision for its Pine Cove gold project, located six kilometres northeast of Baie Verte. The company is planning for a 350-500 tonne per day operation with reserves anticipated to last approximately 15 years. Total production is expected to be over 200,000 ounces of gold during the life of the mine. The company has stated that it expects production to commence late in 2006.

The Beaver Brook Antimony mine is located 43 kilometres southwest of Glenwood. The mine was opened in 1997 but closed in early 1998 because of a significant drop in the price of antimony. Antimony is now trading at about US$4,000 per tonne, the highest since 1995. In 2004, an exploration program was completed to verify the grade, tonnage and continuity of the deposit with positive results. Given this operation has been well maintained since closing, mining activity could take place relatively quickly should a decision to proceed with commercial production be made.

The *Umiak* will ship nickel concentrates from Voisey's Bay to ports in Eastern Canada. This vessel is scheduled to be delivered from the shipyard in April 2006 and commence shipping concentrates in May 2006.

Exploration

The exploration sector is key to new mineral development, and benefits from exploration activities are realized throughout all of Newfoundland and Labrador. The increasing price of base metals, precious metals and uranium over the past few years is spurring increased activity. Mineral exploration expenditures totalled $45 million in 2005, a 32.7% increase over 2004. The majority of mineral exploration (about $30 million) took place in Labrador where exploration efforts focussed primarily on uranium in the central mineral belt, west of Makkovik; nickel in and around the Voisey's Bay mine site; and iron ore in western Labrador. On the island, exploration centred largely around base metals and gold in central Newfoundland.

Outlook 2006

- The value of mineral shipments is expected to increase sharply as Voisey's Bay records its first full year of production.
- Iron ore production and prices are expected to increase in 2006.
- Exploration expenditures are forecast to be about $51 million in 2006, up 13% over 2005.

Oil and Gas

Eirik Raude

Oil tanker in Conception Bay South

Impact of the Oil Industry

The oil and gas industry's contribution to the provincial economy has grown significantly in recent years. Oil production now directly accounts for about 16% of real GDP. In comparison, oil and gas extraction accounts for less than 3% of national GDP. The oil and gas industry's contribution to employment is significantly lower than that of GDP due to its capital intensive nature.

Oil Production

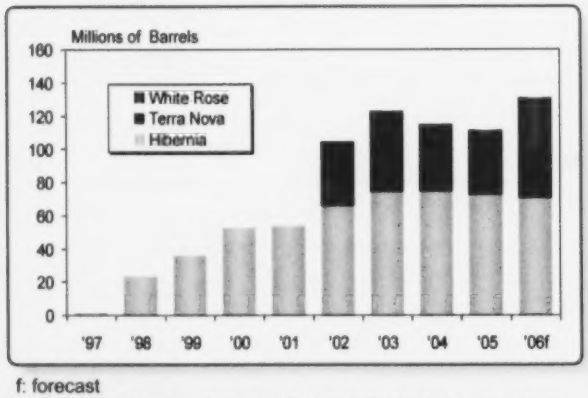
Oil production declined in 2005. Total production was 111.3 million barrels, down 3.1% from 114.8 million barrels in 2004. Despite lower production, the value of oil production increased by almost 29% to $7.3 billion, reflecting historically high oil prices.

Production declines were experienced at the Hibernia and Terra Nova facilities in 2005. Hibernia production declined by 2.6% to 72.6 million barrels. Terra Nova recorded the largest decline with production falling by 10.0% to 36.2 million barrels. Terra Nova production was impacted by: a 38 day maintenance shutdown that began in early September; problems with the gas compression system including downtime for repairs; and higher water volumes in the production wells.

A 90 day turnaround is planned for Terra Nova in 2006 to: address maintenance, inspection and regulatory backlogs; allow completion of projects which have been deferred due to persons-on-board limitations; and install additional living quarters on the Terra Nova FPSO. The duration of the planned shut-in coupled with a delay of the start-up of the far east producer well G90-6Z after experiencing operational difficulties, is expected to reduce 2006 production to 26.7 million barrels.

White Rose achieved first oil on November 12th, 2005 with production totalling 2.4 million barrels for the year. Production is expected to reach peak levels of 100,000 barrels a day in 2006 and annual production is anticipated to total almost 34 million barrels.

Oil Production 1997 to 2006f



f: forecast

Canada-Newfoundland and Labrador Offshore Petroleum Board

Exploration

The long-term sustainability and growth of the local oil and gas industry is inherently linked to exploration activity and subsequent discoveries. Recent exploration activity has focused mainly on seismic data collection, an integral input into the exploratory drilling decision making process. A record 381,227 common mid-point km of 3-D data and 14,737 line km of 2-D data was collected in 2005. Seismic programs were conducted on the Orphan Basin, Laurentian Sub-basin, Northern Jeanne d'Arc Basin and Offshore Labrador.

Increased exploration drilling is expected. Exploration drilling in 2005 included work done by Husky Energy

on its Lewis Hill property in the South Whale Basin and the spudding of a well on exploration licence EL 1093 by the Hibernia Management and Development Corporation. Exploration drilling is expected to pick up in 2006. Petro-Canada plans to drill an exploration well in the southern region of the far east block of the Terra Nova field using the drill rig *Henry Goodrich*. Husky Energy plans to drill up to four wells (likely delineation wells) in 2006 using the drill rig *Rowan Gorilla VI*. Drilling of the first well began in early March and all four wells are expected to be completed by November 2006. Also, Norsk Hydro has indicated the potential for two wells on its West Bonne Bay licence with drilling commencing as early as 2006.

A consortium, made up of Chevron Canada Resources, Exxon Mobil Canada Ltd., Imperial Oil Resources Ventures Limited and Shell Canada Limited, is expected to use the *Eirik Raude*—a harsh environment deepwater, semi-submersible drill rig—to drill an exploration well, Great Barasway F-66 on EL 1076 in the Orphan Basin. This well is expected to be the deepest offshore well ever drilled in Canadian waters, with water depths in the area exceeding 2,300 metres. The drilling program is expected to commence in the second quarter of 2006. Beyond 2006, the partnership plans to drill two additional wells in the Orphan Basin, tentatively scheduled for 2007 and 2008.

The move into deepwater exploration in 2006 is taken, in industry circles, as a sign of continued interest in the province's offshore. Exploration drilling has not occurred in the Orphan Basin since 1985 and with over $670 million in work commitments presently associated with the Orphan Basin, significant work is anticipated over the next few years. In fact, given that there is close to $800 million in total outstanding work commitments that must be met by January 2010, it is expected that an average of 2-3 exploration wells will be drilled per year.

Record seismic data collection in 2005 and the expectation of increased future exploration drilling is being supported by record high energy prices. High prices for oil and natural gas have contributed to record profits for the oil industry. Profits at Canada's five biggest integrated oil companies, increased to $9.6 billion in 2005, up 34% from 2004. Earnings for Imperial Oil, Shell Canada and Husky Energy each exceeded $2 billion with earnings for Husky Energy doubling from the previous year. This strong performance provides companies the financial resources to pursue more exploration activity, especially in deepwater areas. Higher oil and gas prices also make the economics of developing projects in deepwater areas more attractive.

Rowan Gorilla VI

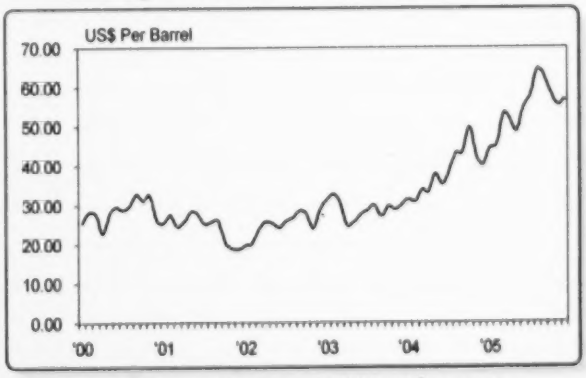
Potential Development

Hebron, likely the next major offshore project to be developed, is located in the Jeanne d'Arc basin and estimated to contain 400 to 700 million barrels of recoverable oil. The Hebron ownership consortium is made up of Mobil Oil Canada (37.9%), Chevron Canada Resources (28.0%), Petro-Canada (23.9%) and Norsk Hydro (10.2%), with Chevron being the project operator. While a number of development options have been examined, it appears that if a decision to proceed were made that the project partners would likely utilize a gravity based structure similar to that used on the Hibernia project. Chevron estimates total project costs of up to $11 billion.

Oil and Gas Prices

Oil prices increased throughout 2005, reaching record levels. In 2005, the price of Brent crude averaged US$54.41, over 42% higher than the US$38.21 aver-

Monthly Oil Price — Brent Sullom Voe



Department of Finance; Department of Natural Resources

age posted in 2004. Increased energy demand from the growing economies of China and India has driven much of the recent increase in oil prices. Other contributing

SeaRose FPSO

factors include: supply concerns related to geopolitical issues such as the recent standoff over Iran's nuclear program; continued unrest and instability in oil producing countries such as Iraq and Nigeria; general supply concerns related to the belief that many of the world's top producing oil wells are reaching maturity and thus will likely see production drop-offs in the near future; and interruptions in the supply chain in the latter half of 2005 caused by hurricane damage to oil rigs in the Gulf of Mexico and refining operations in the United States.

While record high oil prices dominate the headlines, natural gas prices were also hitting historic highs in 2005, increasing over 45% from levels posted in 2004. Similar to oil, natural gas prices were impacted by a multiplicity of factors. Unlike oil, however, gas prices have fallen recently. The decline has been attributed to inventories of natural gas in the U.S. reaching unusually high levels for this time of year, due to above average temperatures in the U.S. moderating demand.

Natural Gas Development

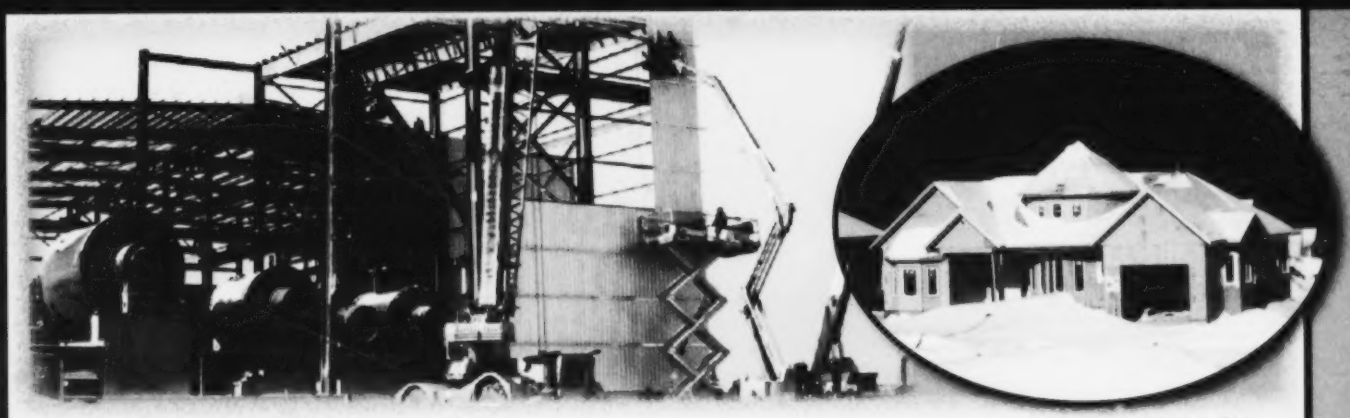
No natural gas development proposals have been submitted to the Canada–Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) thus far. However, strong natural gas prices coupled with significant potential associated with the province's offshore are resulting in industry players exploring the possibility of natural gas development. The CNLOPB estimates a total of 9.6 trillion cubic feet (tcf) of discovered natural gas in the province's offshore. The undiscovered (unconfirmed by drilling) natural gas resource potential is estimated at over 60 tcf. Husky Energy is currently in the process of evaluating final pre-feasibility reports from three groups on the development of White Rose natural gas. Husky has indicated that a White Rose gas development is at least 8-10 years away. Husky Energy also signed a non-binding Memorandum of Understanding with Exxon Mobil and Petro-Canada in April 2005 to further study and develop technical and commercial options for development of offshore natural gas. These events, plus recent seismic surveys shot in the Laurentian Sub-basin and offshore Labrador, indicate that interest in the province's natural gas potential is rising.

Outlook 2006

- Oil production is expected to increase by 17.5% to 130.8 million barrels. White Rose production is expected to increase to 33.6 million barrels. Expected production of 70.5 and 26.7 million barrels from Hibernia and Terra Nova respectively both represent declines from 2005.
- Oil prices are forecast to remain high–Brent crude is expected to average about US$60 per barrel.
- Hibernia and Terra Nova combined capital spending is expected to be in the $400-$500 million range.
- Husky Energy capital spending is expected to exceed $350 million.
- Total direct oil production employment is expected to average about 2,500 person years in 2006, up from about 1,700 person years in 2005.

SeaRose FPSO, Heather Knutsen, and Maersk support vessel

Construction



Construction at the Duck Pond mine

New home construction

Construction investment increased for the third consecutive year in 2005, rising 10.2%, to a record level of almost $3.2 billion. The latest survey of Public and Private Investment Intentions suggests the increase was primarily related to higher than expected expenditures on major projects and higher residential spending (new homes and renovations).

Construction employment grew in 2005 for the third consecutive year to the highest level recorded since 1991. Employment growth of 6.0%, to 12,400, was particularly impressive, given that it followed growth of 23.2% in 2004.

Non-Residential Construction

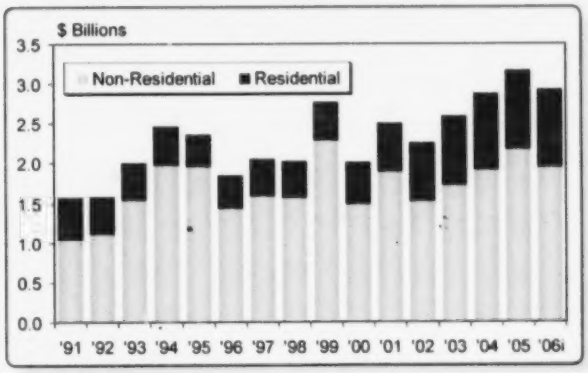
Non-residential spending increased 13.7% in 2005 to total almost $2.2 billion and accounted for close to 69% of total construction spending. The majority of non-residential investment (73%) was in the mining and oil and gas industries. Furthermore, the bulk of the increase ($240 of the $292 million increase), was attributed to mining and oil and gas extraction.

Outside of the mining and oil and gas industries, non-residential construction spending increased 3.8% to $584.4 million in 2005. Increases were observed in several public sector areas such as educational services, health care and social assistance, and provincial public administration.

Residential Construction

Residential construction investment increased (3.1%) for the seventh consecutive year with expenditures totalling $991.9 million in 2005. Strong renovation spending and construction of higher valued homes more than offset the negative influence of fewer housing starts. Renovation expenditures, which account for over half of total residential investment, increased by 6.9% in 2005 while investment in new housing increased by 1.0%. Housing starts fell by 13.0% to 2,498 units in 2005 as interest rates edged upwards and pent-up demand was increasingly satisfied. Despite the decline, the level of starts remained high.

Construction Investment



i: intentions
Statistics Canada

Outlook 2006

- Construction investment is projected to drop by 7.6% to $2.9 billion.
- Non-residential spending is expected to decrease by 10.7% to $1.9 billion due to declining mega-project spending.
- Residential spending is projected to fall by 0.8%. Spending on new homes is expected to decline while renovation activity is expected to remain strong.
- Government infrastructure spending is expected to show a significant increase in 2006.

Lower Churchill Project

Artist rendition of proposed Gull Island Hydro Development

The Lower Churchill hydroelectric resource is a significant untapped long-term source of clean, renewable energy that has the potential to make a significant contribution to the reduction of greenhouse gas emissions from power generation in Canada.

Lower Churchill development can produce sufficient energy to supply up to 1.4 million households annually

Located 225 kilometres from the existing 5,428 megawatt generating facility at Churchill Falls, Labrador, the proposed Lower Churchill development includes two potential sites. A 2,000 megawatt project at Gull Island has the potential to produce an average of 11.9 terawatt hours of energy annually. The 824 megawatt project at Muskrat Falls has the potential to produce an average of 4.8 terawatt hours a year. Combined, the projects can produce sufficient energy to supply up to 1.4 million households annually[1] and displace an estimated 16 mega tonnes of carbon dioxide emissions annually from comparable production from coal thermal generation.

Depending on the development option chosen, the development of the two sites could cost between $6 and $9 billion.

Early in 2005, the Government of Newfoundland and Labrador and Newfoundland and Labrador Hydro (Hydro) issued an international Request for Expressions of Interest and Proposals (EOI) for the development of the Lower Churchill hydro resource. Following the assessment of the 25 proposals received, a short-list of proposals was selected to advance to Phase 2 of the multi-phase process that involves feasibility studies of the selected proposal concepts. The work to assess the short-listed proponents is continuing.

Additionally, given government's stated objectives to maintain control over our hydroelectric resource and maximize returns for the people of Newfoundland and Labrador, combined with the fact that conditions are right for this development, the option of a Newfoundland and Labrador-led project is being given primary consideration.

Upon the completion of Phase 2, the economic, financial and technical feasibility of the options will have been reviewed and a decision will be made on the most technically and economically viable options. Within Phase 3, more detailed commercial negotiations of the most attractive development option or options will take place. By Phase 4, negotiations will be held on detailed commercial arrangements and development preparations will be well underway.

While the EOI process unfolds, there is work advancing on several other factors that impact the development of the Lower Churchill resource. Included are:

- Discussions with the Innu Nation of Labrador on an Impact and Benefits Agreement since the proposed development is located within the Innu Nation's recognized land claim.

1 The number of households is dependent on multiple factors including: heating sources, regional location and electricity requirements.

- Consultations will take place with the residents of the communities in Labrador to discuss their concerns and expectations from the development.

- A valuation of the potential impact the Lower Churchill project will have in contributing to the reduction of Canada's greenhouse gas emissions from power generation.

- A dedicated team of planners is now laying the groundwork for an extensive, multi-year environmental assessment process.

In January 2006, on the direction of the provincial government, Hydro applied to Hydro-Quebec TransEnergie, which is Hydro-Quebec's transmission division, for transmission service to transmit Lower Churchill power from the Labrador/Quebec border to markets in Quebec, Ontario, the Maritime Provinces and the northeast United States. In view of the priority being placed on the option of the province doing the project on its own, the application process is an important step in assessing this approach since it will provide an understanding of the costs and technical considerations of getting the power to market.

With this application, Newfoundland and Labrador Hydro is availing of Hydro-Quebec's Open Access Transmission Tariff (OATT), which is intended to provide electricity generators the opportunity to transmit their production both within and through Quebec. Hydro-Quebec is now completing an initial assessment to determine the impact on its transmission system. It is anticipated the application process will take between 12-18 months.

Site of proposed Gull Island Hydro Electric project on the Churchill River.

The Lower Churchill Project has the potential to generate significant financial rewards and investment returns in addition to being a leading, clean and renewable energy resource. At this point, the assessment continues on development options. Underlining this work is one of the province's clearly stated objectives on the development of this resource—that the people of Newfoundland and Labrador are the primary beneficiaries. It must take place in a manner that maximizes benefits to the people of the province—both during construction and from the economic value of the resource.

The Lower Churchill Project has the potential to generate significant financial rewards and investment returns

Gull Island: N52° 58' W61° 26'
Muskrat Falls: N53° 15' W60° 46'

Manual logging operation

Sexton Lumber, Bloomfield

Forestry

World Newsprint Industry

There are just over 200 newsprint mills worldwide, 43 of which are in North America. Canada is the largest producer of newsprint accounting for approximately 22% of world supply, followed by the U.S. at 14% and Japan at 10%. Most of the remainder is produced in other Asian countries (17% combined) and Western European countries (25% combined). Canada is also the largest newsprint exporter with around 60% of its production sold to the U.S. and 25% shipped to offshore markets. The United States consumes close to 30% of global newsprint production, even though it accounts for only 5% of the world's population. Newspaper advertising is a major driver of newsprint consumption—in the U.S. it generates 85-90% of publishers' revenues.

North American newsprint shipments totalled just under 12.7 million tonnes in 2005, representing a decline of 4.3% over 2004. In recent years, North American producers have been struggling to cope with a fundamental change in the newsprint market. North American newsprint demand has declined by 20% since 2000 as other competing news and advertising mediums, such as multi-channel cable/satellite television and the internet, have increased in popularity. In addition, many newspaper publishers have shifted towards smaller tabloid form papers. In the face of this declining demand, newsprint producers have been forced to cut back on production and close some of their less efficient mills.

Distribution of Costs, 2004
Average North American Newsprint Mill

Wood Fibre & Purchased Pulp	32%
Energy	23%
Labour	22%
Materials & Supplies	14%
Other Raw Materials	5%
Other Mill Costs	4%
Total Mill Costs	**100%**

Pulp and Paper Products Council

Provincial Newsprint Industry

The province's newsprint industry suffered a major set-back this past year with the closure of one of the province's three newsprint mills. Despite the best efforts of stakeholders, a combination of factors including fibre supply problems, high energy costs and declining markets proved insurmountable and Abitibi-Consolidated's Stephenville operation was shut down in October 2005. As indicated in the accompanying table, fibre supply and energy costs account for over half of the average mill's total cost.

Abitibi-Consolidated is currently conducting a comprehensive review of mill modernization requirements at its Grand Falls-Windsor operation. Further details were not available at the time of writing.

Despite the closure of the Stephenville mill, the volume of newsprint shipped from the province is estimated to have increased 4.1% in 2005 to 761,778 tonnes. Newsprint prices increased by 10.9% in U.S. dollar terms—from US$550 per metric tonne in 2004 to US$610 in 2005. However, appreciation of the Canadian dollar offset most of this increase and prices increased by only 3.2% in Canadian dollar terms. The net result of the volume and price increases was that the value of newsprint shipments from the province increased by 7.5% in 2005 to $563 million.

Lumber

Lumber production rebounded by 30% in 2004 and made additional gains last year, following a significant downturn in the industry in 2003. Lumber production is estimated to have increased by 3% in 2005 to 125 million board feet. In recent years, production has become more concentrated with the larger capital intensive sawmills accounting for an increasing proportion of total provincial production. For example, in 1997 the five largest sawmills produced 52% of total lumber production, whereas in 2004 the five largest producers accounted for 69% of provincial production.

Unfortunately for sawmill operators, the positive benefits of increased production volumes were offset by lower prices. Lumber prices declined by approximately 4% in US$ terms (11% in CAN$ terms) in 2005 to US$387* per thousand board feet. The net effect of the volume increase and price decrease was an 8% decline in the value of production from approximately $64 million in 2004 to $59 million in 2005.

Agrifoods

Farm Cash Receipts

Total farm cash receipts increased by 7.3% in 2005 to $92.4 million. The largest categories of agricultural products in the province were dairy products, hens and chickens, eggs, and floriculture and nursery products. Growth in dairy products has been particularly strong in conjunction with substantial increases in the province's industrial milk quota.

Farm Cash Receipts

$ Millions	1995	2004	2005	Growth Since 1995	Growth Since 2004
Dairy Products	21.9	30.8	34.5	57.5%	12.0%
Eggs	8.6	13.3	13.4	56.8%	1.0%
Floriculture and Nursery Products	6.0	9.9	9.9	65.3%	0.2%
Potatoes	1.5	2.0	1.9	26.5%	-9.0%
Cattle	1.7	0.8	1.3	-23.1%	53.2%
Other*	26.8	29.3	31.5	17.4%	7.4%
Total	**66.4**	**86.1**	**92.4**	**39.2%**	**7.3%**

*Other includes vegetables, hens and chickens, and furs
Statistics Canada

Fox pelts

Fur Industry

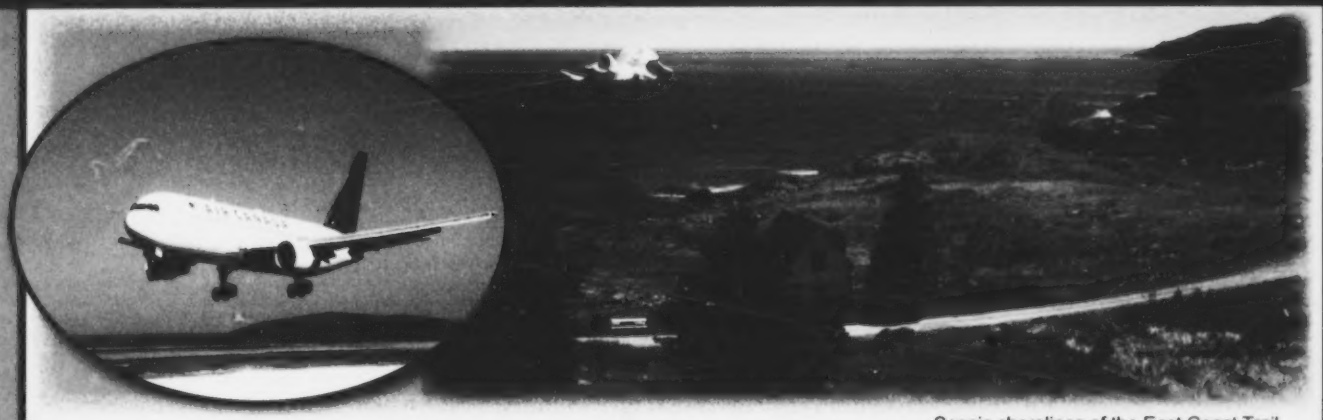
There has been significant growth in the fur industry in Newfoundland and Labrador as a result of considerable investment by governments and the private sector. Over $3 million has been invested through federal and provincial government funding programs. The development of the fur industry in the province is the result of a strategic plan that was prepared by the Fur Breeders Association in the 1990s. This was followed by the Collaborative Expansion Initiative that was successful in attracting several well-established fur farmers from Denmark and garnered the interest of existing and new farmers from within the province.

The mink industry has grown from approximately 1,000 breeder females in 2001 to 22,000 in 2005. Potential production for 2005 is over 100,000 pelts, with an associated value of over $5 million. By 2008 it is expected that the number of breeder females will reach over 100,000, resulting in potential production value of $25 million per year.

Outlook 2006

- Newsprint shipments are expected to decline by 20% to 610,000 tonnes due to the closure of the Stephenville mill.
- Newsprint transaction prices are expected to increase by approximately 5% to US$640 per metric tonne.
- Lumber production is expected to increase by around 4% to 130 million board feet.
- Farm cash receipts are expected to record moderate increases; substantial gains are expected in fur production.

* Random Lengths Publications Inc.



Scenic shorelines of the East Coast Trail

Tourism spending in the province is estimated at approximately $800 million per year. Resident travel accounts for about 60% of total spending with the remainder accounted for by non-resident tourists.

Preliminary figures indicate that 469,600 non-resident visitors came to the province in 2005 and spent an estimated $336 million. This represents an increase of 4.5% in the number of visitors and an increase of 4.9% in expenditures compared to 2004.

While overall tourist activity increased in 2005, performance varied regionally. Urban communities saw growth in tourism visitation and revenues, stemming mainly from the developing convention and cruise markets as well as the increase in air passenger movements. However, some rural areas experienced declines, mainly due to reduced levels of automobile visitors.

Automobile Travel

Automobile tourist travel, both resident and non-resident, was virtually flat in 2005. Non-resident visitors travelling to the province by automobile increased by 1% over 2004, while residents exiting the province declined by 4%. While fewer residents left the province via Marine Atlantic, this did not necessarily result in more resident travel throughout the province. Fewer visitors were recorded at some of the province's regional museums, Visitor Information Centres, natural and historic attractions and public and commercial campgrounds. Rationale for the weakness in overall automobile travel for the past few years include high gas prices and the high value of the Canadian dollar.

Air and Cruise Travel

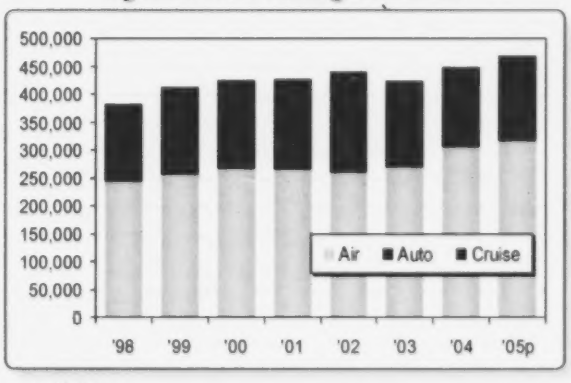
Air passenger travel accounts for the largest share (about two-thirds) of non-resident travel each year. In 2005, non-resident air visitors increased to 316,200, up 4% over 2004. The most significant gains in airport passenger movements occurred at the St. John's, Goose Bay and Deer Lake airports, with a notable increase also posted at the Wabush airport. Air passenger growth was due to a number of factors, including a more competitive airline industry with consumers taking advantage of attractive seat sales and travel packages, and increased business travel and convention activity.

Cruise ship visitors contributed significantly to tourism growth in 2005. There were 25,600 cruise visitors to the province in 2005 representing a 45% increase over 2004, with 97 port calls recorded for the season.

Expansion of Convention Activity in the St. John's CMA

The convention sector has experienced significant growth in the St. John's Census Metropolitan Area (CMA) over the last seven years. The importance of this sector to the region's economy is growing and it is a notable component of the province's tourism industry.

Non-Resident Tourists by Mode of Transportation



p: preliminary
Department of Tourism, Culture and Recreation

Convention delegates visiting the capital city injected about $20 million into the local economy in 2004 (latest data available)—or 2.4% of provincial tourism revenues. Delegate spending in 2005 is estimated to have exceeded 2004 levels. A convention delegate visiting St. John's will typically spend about $1,000 (not including airfare), slightly higher than the national average of $900 per delegate. Convention related spending in 2004 generated about 400 person years of employment and about $8 million in labour income.

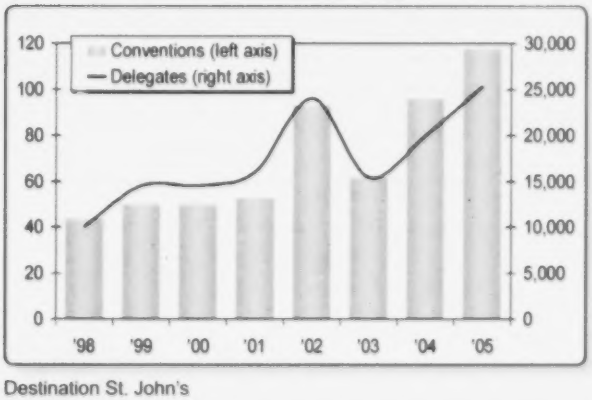
The number of large conventions (i.e., those booking 50 or more guest rooms per night) held in the St. John's CMA reached a record high of 118 in 2005, an increase of 23% over the previous year. The number of delegates attending these conventions is estimated at about 25,000, an increase of 27% compared to 2004. This compares quite favourably to just 44 conventions with 10,000 delegates in 1998 (see graph below).

Convention Infrastructure

The ability of an area to successfully support convention activity is very much dependent on the local accommodation sector. Hotel/motel room supply, as well as convention space, has expanded considerably in the St. John's CMA over the past decade. The number of rooms available increased to 2,136 as of January 1, 2006 from 1,506 in 1996. With the opening of the St. John's Convention Centre in 2001, over 18,000 square feet in meeting space was added to local convention capacity. More recently, 3,000 square feet of meeting space was added to the Delta St. John's Hotel in 2005.

Transportation also plays a role in attracting conferences to the area. In the case of the St. John's CMA, growth in the local airline industry has helped fuel recent convention growth. The St. John's International Airport accounts for approximately 70% of all airport passenger movements in the province. This airport recorded an increase of 8.5% in airport passenger movements in 2005. Over the past five years the St. John's International Airport has experienced the arrival of new airlines, a remodeling of the airport terminal and the benefit of competitive seat sales—all contributing to the increase in airport traffic.

Conventions & Delegates



Destination St. John's

St. John's Convention Centre

Convention delegates coming from outside St. John's travel primarily from the Maritimes (33%). Visiting convention delegates also come from Ontario (30%), Western Canada (23%), Quebec (6%), the United States (5%) and overseas (1%). Convention organizers are attracted to St. John's by its convention infrastructure, avid marketing, and the province's aesthetic beauty and culture.

Outlook 2006

- Overall, tourism activity is expected to hold steady in 2006. The shift in mode of travel, from auto to air, will likely continue.
- Cruise ship passenger visits are expected to be on par with 2005.
- Expansion of infrastructure, such as the Trans Labrador Highway and the Humber Valley resort, should foster continued growth in these regions.
- The convention sector is expected to maintain the record level recorded in 2005.
- Air passenger movements at the St. John's airport are expected to grow by 7%.
- The City of St. John's will receive financial support from the federal government for being recognized as one of five communities designated as a Cultural Capital of Canada for 2006. These funds will enable it to undertake a range of cultural and artistic activities.

Telelink Call Centre

Telelink, The Call Centre Inc.

The provincial customer contact business of a decade ago was primarily oriented towards servicing local market needs. Technological improvements combined with substantial declines in long distance rates have resulted in the expansion and growth of new and existing call centres. One centre, with a long local history, is Telelink, The Call Centre Inc.

Located in St. John's, the company was incorporated in 1966 as Answer Telephone Service Limited. From its humble beginnings nearly 40 years ago, it has been providing telephone based customer service solutions, first for the domestic market, and later, for the export market. In 1995, the corporate name and identity of the company was changed to Telelink, The Call Centre Inc. to better reflect emerging new markets and vision of the company's owners.

Throughout its business life, Telelink has remained at the forefront of technology and has been quick to adapt new methods and offer new services as the market has evolved. The company was one of the first in the country to offer web-based customer support—"Live e-Support". The company is diversified both in terms of the services offered and markets served. Telelink however, still provides the core services that the Company was founded upon—live messaging, customer service, order entry and after-hours emergency services. In addition, the company has successfully moved into what is known in industry circles as "Near Shore Outsourcing" allying themselves and working collaboratively with large U.S. based customer contact centres providing, among other things, overflow and peak demand services. Today, Telelink provides call centre services to more than 40 U.S. customers. Approximately 35% of its total call centre business is derived from export markets.

Export market penetration was made possible through company development efforts and resulting certifications. In 2005, Telelink became one of the first call centres in Canada to achieve ISO 9001:2001 certification and was the first call centre in Canada to achieve ATSI Gold Site Certification, the latter meaning that the company had put considerable thought into developing an action plan that will allow it to maintain uninterrupted service to its customers under adverse circumstances. The company has also won national awards for service quality every year for the past three years.

Last year, sales exceeded $2.1 million or approximately double that of seven years ago and employment has grown to average 85 annually. In an industry where turnover is common, employees are very loyal. Telelink's turnover rate of 6% compares very favourably to a national rate of 15%. The company continues to make headway in export markets despite a rising Canadian dollar. The company's response is to continue to build customer value noting that once hooked, on average, clients of Telelink stay with them for about 14 years—a notable feat in an industry where change is a constant.

Provincial Synopsis

About a decade ago, there were less than 1,000 people employed in customer contact centres in the province. Considerable expansion has taken place since then. In 2005, almost 4,500 people were employed directly in this business generating about 2,100 indirect and induced jobs elsewhere. The labour income impacts were estimated to be $85.3 million direct, $54.7 million indirect and induced for a total labour income impact of $140 million. The business is expected to continue to expand in 2006 and employment is expected to rise by approximately 20%.

Production of polystyrene boxes at Newfoundland Styro

Pickle processing at Newfoundland Preserves

Shipments

Despite the challenges of a strong Canadian dollar and the emergence of China as a global competitor, the province's manufacturing sector remains a strong and valuable contributor to the provincial economy directly accounting for 7% of GDP and 8% of employment in the province. The province's main manufactured products in 2005 were food products (mostly seafood), newsprint, refined petroleum, transportation equipment (e.g., marine vessels), and fabricated metal products for the offshore oil industry.

In 2005, the value of manufacturing shipments totalled $2.98 billion, representing only a slight (2.8%) decline from the record high level posted in 2004. Non-durable goods, which make up the bulk of manufacturing shipments, increased by 3.2% in 2005 to $2.12 billion while the value of durable goods shipments declined by 14.9% to $859 million.

Growth in non-durable goods was mainly driven by price increases for newsprint and refined petroleum products. The value of food production remained close to 2004 levels. The lower value of durable goods shipments is primarily the result of a decline in transportation equipment manufacturing due to the completion of the construction phase of the White Rose project. Other durable goods, such as cement and concrete products and machinery manufacturing, recorded increases in shipment value.

Commodity Prices

Most of the province's manufacturers sell their products on highly competitive world markets and are price takers. Industry profits are dependent not only on world commodity prices but also on the Canada-US dollar exchange rate, since most of the manufactured goods are priced in U.S. dollars. Fortunately, the negative effects of the Canadian dollar's appreciation over the past three years has been tempered by increased commodity prices. Commodity prices are expected to remain at relatively high levels throughout 2006.

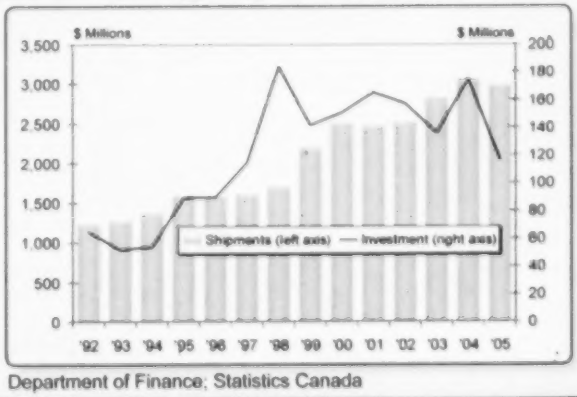
Employment

Employment in the manufacturing sector was 16,800 in 2005, representing a decrease of 400 or 2.3% over 2004. Consistent with the trends in shipment values, the employment declines occurred in the durable goods sector (-1,000) while non durable goods manufacturing recorded an employment gain (+600). Most of the decline in durable goods manufacturing employment occurred in transportation equipment, which decreased by 800 person years as a result of the completion of the construction phase of the White Rose development.

Investment

High investment levels in recent years have contributed to solid manufacturing performance. Manufacturing investment is expected to increase by 15.4% in 2006 to $134 million as manufacturers take advantage of cheaper import prices for machinery and equipment caused by the appreciation of the Canadian dollar.

Manufacturing Shipments and Investment



Department of Finance; Statistics Canada

Waterfront Residential Development, Brigus

Inventory of Major Capital Projects

The inventory of major projects provides information on capital projects and spending programs in Newfoundland and Labrador valued at $1 million or more. The list includes both public and private projects that are either continuing or starting in the current year[2]. All spending is privately funded unless otherwise indicated. In some cases, the capital spending figure quoted includes spending from previous years. The inventory was prepared in February and March 2006.

According to this year's inventory, about $7.5 billion in major project capital spending is planned or underway in the province. Resource related projects account for more than half of the total spending. The single largest project, which is a resource project, is the Voisey's Bay development with an estimated capital cost of $2.9 billion. Considerable spending is also noted in environmental related projects ($720 million), residential spending ($636 million) and municipal infrastructure ($598 million).

The major project listing is available on the Economic Research and Analysis Division's web site (www.economics.gov.nl.ca) in a searchable database. The online database includes search capabilities by *Community* and *Economic Zone* as well as a feature which allows readers to identify a project for future lists.

Major Projects ($ millions)

Mining/Oil and Gas	4,000
Environmental	720
Residential	636
Municipal Infrastructure	598
Tourism/Culture/Recreation	581
Transportation	421
Health/Personal Care	159
Utilities	116
Education	111
Other	158
Total	7,500

2 Readers will note that in some project descriptions in the inventory that government is identified as a source of funding. This reference, in most cases is based on information provided by the project's proponent and should not be interpreted as an announcement by government of funding approval.

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Commercial				
Commercial Development	48.0	2004/2006	19	First Pro Shopping Centres - construction of large retail stores. Phase I included the construction of Walmart, Canadian Tire and Home Depot and was completed in 2005. Phase II began in 2005 and is expected to be finished by Fall 2006. (St. John's)
Commercial Development	3.0	2005/2007	19	Reardon Construction and Development Ltd. - construction of a six lot commercial development on Airport Road. (St. John's)
Commercial-Retail Land Development	5.0	2005/2009	8	RTGO Developers Inc. - development of a business park. (Deer Lake)
Supermarket	10.0	2006/2007	19	Redevelopment of Memorial Stadium into a supermarket which will also include a fitness centre for women and a gymnastics club. (St. John's)
Office Building	7.5	2005/2006	19	Construction of a four-storey "Class A" office space building on the corner of Bishop's Cove and Harbour Drive. Building will meet all "Smart Building" efficiency criteria. (St. John's)
Office Building Renovations	1.5	2005/2006	19	Renovation of Atlantic Place. (St. John's)
Education				
Atlantic Computational Excellence Network (ACEnet)	28.0	2005/2008	19	Memorial University of Newfoundland (ACEnet) - seven university partnership to build research computing infrastructure led by Memorial University. (St. John's)
Building Expansion	5.0	2006/2008	3	Expansion to the College of the North Atlantic. Provincial funds. (Happy Valley-Goose Bay)
Building Renovations	4.5	2006/2007	19	College of the North Atlantic - replacing windows and cladding on the exterior of the main campus. Provincial funds. (St. John's)
Campus Maintenance/ Renovation	20.4	2006/2007	8, 19	Maintenance and renovation of various Memorial University of Newfoundland buildings. Provincial funds. (Corner Brook, St. John's)

Major Capital Projects

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
College Building	7.5	2006/2009	2	Construction of a new College of the North Atlantic building. Provincial funds. (Labrador City)
School	1.4	2006	19	Extension and renovation of Leary's Brook Junior High. Provincial funds. (St. John's)
School	3.7	2005/2007	1	Rebuilding of the fire damaged section of Hopedale School. Provincial funds. (Hopedale)
School	11.0	2005/2008	8	Renovation of and extension to Herdman Collegiate. Provincial funds. (Corner Brook)
School	5.7	2006/2007	20	New school construction to replace an existing school. Provincial funds. (Mobile)
School Construction	23.5	2006/2007	N/A	Activities include new school construction, renovations, extensions, and major maintenance projects. Provincial funds. (Various)
Environmental				
Airport Cleanup	4.1	2004/2007	14	Remediation of a remote radar site at airport. (Gander)
Environmental Remediation	106.0	1996/2007	18	Environmental remediation of the former U.S. Naval Base. Projected expenditures of $10-$12 million for 2006/2007 fiscal year. Federal funds. (Argentia)
Environmental Remediation/Demolition	8.0	2006/2007	N/A	Environmental remediation and/or demolition of vacant public buildings. Provincial funds. (Various)
Environmental Restoration	2.0	2004/2006	6	Restoration of the former U.S. radar site. Provincial funds. (St. Anthony)
Refinery Upgrades	600.0	1996/2006	15	North Atlantic Refining Ltd. - productivity and environmental improvements including reducing sulphur dioxide emissions. Projected expenditures of $50-$60 million for 2006. (Come-By-Chance)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Fishery/Forestry				
Aquaculture Expansion	3.5	2006/2008	N/A	Investment in the production of salmonids, mussels and/or cod in various areas of the province including the Connaigre Peninsula, Fortune Bay, Placentia Bay, Notre Dame Bay and Bonavista Bay. (Various)
Cod Demonstration Farm	10.0	2006/2009	16	Collaboration of private and public sector to commercialize cod aquaculture. (Fortune Bay)
Forest and Agriculture Access Roads	4.0	2006/2007	N/A	Construction of access roads on crown land. Provincial funds. (Various)
Harbour Development	12.0	2006/2007	N/A	Fisheries and Oceans Canada - Small Craft Harbours Program. Ongoing program of fishing harbour repair, maintenance and development. Federal funds. (Various)
Newsprint Mill Capital Expenditures	3.0	2006	12	Abitibi-Consolidated Inc. - asset maintenance. (Grand Falls-Windsor)
Woods Operation and Sawmill	3.0	1998/2006	1	Postmill Lumber Incorporated - work completed to date includes the construction of 3km of forest access roads and the purchase of a harvester and other equipment associated with wood harvesting. (Postville)
Health Care/Personal Care				
Addictions Treatment Centre	3.0	2006/2008	8	Redevelopment of Humberwood addictions treatment facility. Provincial funds. (Corner Brook)
Blue Crest Long-Term Care Facility	4.3	2006/2008	16	Repairs and renovations including, exterior and interior upgrades, a new roof, windows and doors, modifications to washrooms and correction of fire and life safety issues at the facility. Provincial funds. (Grand Bank)
Health Care Centre	25.0	2006/2010	2	Replacing Captain William Jackman Hospital with a new health care centre. Provincial funds. (Labrador City)
Health Care Facilities	25.2	2006/2007	N/A	Expenditures for renovations and equipment purchases. Provincial funds. (Various)

Major Capital Projects

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Hospital Extension	1.2	2005/2007	12	Extension to the existing Central Newfoundland Regional Health Centre for a new cancer treatment clinic. Provincial funds. (Grand Falls-Windsor)
Hospital Redevelopment	2.9	2005/2007	14	Redevelopment of space at James Paton Memorial Hospital. Provincial funds. (Gander)
Long-Term Care Facility	14.9	2005/2008	15	A new 44 bed long-term care facility to be built adjacent to the Dr. G. B. Cross Memorial Hospital. Provincial funds. (Clarenville)
Long-Term Health Care Facility	46.6	2005/2010	8	Facility will hold 188 beds designed to accommodate long-term care needs. This facility will also include a wing for the Department of Veterans Affairs. Provincial funds. (Corner Brook)
Long-Term Health Care Unit	17.5	2006/2010	3	The construction of a 50 bed long-term care facility including two respite care beds. Building design contains flexibility to go to 72 beds. Provincial funds. (Happy Valley-Goose Bay)
New Dialysis Sites	2.9	2006/2007	3, 6, 16	Renovation and equipment to establish dialysis sites. Provincial funds. (Happy Valley-Goose Bay, St. Anthony, Burin)
Personal and Community Care Homes	5.4	2005/2006	N/A	Installation of sprinkler systems in personal and community care homes. Provincial contribution of $4.0 million. (Various)
Primary Health Clinic	6.7	2006/2008	16	A new primary health clinic which will provide clinic and office space for up to five physicians, basic outpatient clinics, basic lab and x-ray services, and holding beds for short stays. Provincial funds. (Grand Bank)
Treatment Centres	3.0	2006	1	Two buildings will be constructed: the "Healing Lodge" will include space for counselling and healing and the "Wellness Centre" will include offices and activity space for "Next Generation Guardians". Federal funds. (Natuashish)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Industrial/Manufacturing				
Feed Kitchen and Pelting Operation	2.0	2005/2006	15	Construction of a mink feed kitchen and pelting operation. (Charleston)
Integrated Sawmill and Dry Kiln	3.0	2004/2006	8	Eastwood Forest Products Inc. - construction of an integrated sawmill and purchase of a dry kiln. (Deer Lake)
Mink Fur Farm	2.0	2006/2008	15	Construction of a mink fur farm. (Clarenville)
Mink Fur Farm	3.0	2004/2008	12	Construction of a mink fur farm. (Botwood)
Mink Fur Farm	2.8	2004/2007	15	Construction of a mink fur farm. (Harcourt)
Mink Fur Farm	1.6	2005/2007	8	Construction of a mink fur farm. (Deer Lake)
Multi-spectral Machine Vision Automatic Food Inspection	5.0	2003/2007	19	Baader-Canpolar Inc. - manufacturing of inspection systems that use x-ray and coloured camera technology to find defects, such as bones, blood and skin, in fish and poultry products. (St. John's)
Particle Board Plant	10.0	2002/2006	6	Wood Products Industries Ltd. - construction of a particle board plant. Will produce particle board using wood residue from sawmills. (Roddickton)
Water Bottling Plant	2.0	2004/2006	19	Construction of a bottled water plant. (Paradise)
Mining, Oil and Gas				
Husky Oil Capital Expenditures	350.0	2006	N/A	Husky Energy - expenditures associated with Husky Energy's East Coast operations. Includes drilling and completion of a fourth well at White Rose and delineation of reserves in the North Avalon Pool. (Offshore Newfoundland)
Multi-Year Capital Investment Program	150.0	2006/2008	2	Iron Ore Company of Canada - expenditures for various improvements to sustain production and to replace capital. (Labrador City)

Major Capital Projects

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Terra Nova and Hibernia	400.0-500.0	2006	N/A	Hibernia Management and Development Company Ltd. and Petro-Canada - figures include capital drilling costs for the current year. (Offshore Newfoundland)
Voisey's Bay Mineral Development	2,900.0	2002/2031	N/A	Voisey's Bay Nickel Company - includes development and operating expenses at the Voisey's Bay site, the Mini Plant in Ontario, the Hydromet Demonstration facility at Argentia, Commercial Processing facility, and the Inco Innovation Centre at Memorial University. Expenditures in 2006 are estimated to be $152 million. (Various)
Zinc/Copper Mine	100.0	2005/2006	12	Aur Resources Inc. - construction of a mine and a 1,800 tonnes-per-day mill. (Duck Pond)
Municipal Infrastructure				
Canada Strategic Infrastructure Fund Program II	3.0	2006/2007	N/A	Expenditures on municipal infrastructure. Funded $1 million by each level of government: Federal, Provincial and Municipal. (Various)
Canada/Newfoundland and Labrador Infrastructure Program	153.7	2000/2009	N/A	Program to assist municipalities in improving infrastructure. 1/3 federal funds, 2/3 provincial/municipal cost-shared according to municipal financial capacity. Projected expenditures of $45.6 million for the 2006/07 fiscal year. (Various)
Canada-Newfoundland and Labrador Municipal Rural Infrastructure Fund (MRIF)	84.0	2006/2010	N/A	Investment over the next four years in municipal and rural infrastructure projects. These projects will focus on the renewal, expansion and construction of new community infrastructure. Federal/Provincial/Municipal cost shared program. (Various)
Dock Upgrade	7.0	2005/2006	18	Reconstruction of the south end of fleet dock utilizing concrete caissons. (Argentia)
Filtration Plant	20.0	2006/2009	19	Design and construction of a membrane filtration plant at Long Pond. (Petty Harbour)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Federal Funding Program for Municipalities	82.4	2006/2011	N/A	The Federal Government has announced a "New Deal" for municipalities. It has committed up to $5 billion nationally over a five year period from gas tax revenues. The Provincial allocation is approximately $9.9 million for each of the next two years, increasing to $13.2 million in year three, to $16.5 million in year four, and $32.9 million in year five for a total of $82.4 million. The Federal Government requires these monies to be invested in incremental capital projects that result in environmentally sustainable municipal infrastructure. (Various)
Multi-Year Capital Works Program	85.0	2005/2008	N/A	Long-term capital works program to assist municipalities in construction of local infrastructure. Provincial/Municipal 50/50 cost-shared program. (Various)
Municipal Capital Works Program	34.5	2006/2007	N/A	Annual program to assist municipalities in construction of local infrastructure. Cost sharing will vary with each project, however, the province's total cost is estimated at $22.5 million and municipalities are expected to contribute $12.0 million. (Various)
Municipal Rural Infrastructure Program	21.0	2006/2007	N/A	Contributions include: provincial $9.0 million, federal $7.0 million, and municipal $5.0 million. (Various)
St. John's Harbour Clean-up Project	93.0	1997/2008	19	Funding of $93 million has been established for the capital cost of Phase II of the multi-phase St. John's Clean-Up Project. The federal and provincial governments are each contributing $31 million, while the remaining $31 million is being provided in a proportionate share by the City of St. John's, the City of Mount Pearl and the Town of Paradise. Operating costs will be shared by the municipalities. (St. John's)
Water Treatment Plant	4.9	2005/2007	19	Ozone system and life safety upgrading at Bay Bulls Big Pond water treatment plant. (St. John's)
Windsor Lake Treatment Plant	9.0	2006/2007	19	Construction of a water membrane filtration plant and balancing reservoir. (St. John's)

Major Capital Projects

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Other Investment				
Computer Hardware and Software	2.0	2006/2007	N/A	Replacement of Newfoundland and Labrador Housing Corporation's computer hardware and software including its core systems. (Various)
Court Facility	2.1	2006/2009	8	Commence construction of a combined Supreme and Provincial Court facility. (Corner Brook)
Public Buildings	11.0	2006/2007	N/A	Maintenance and development of public buildings. Provincial funds. (Various)
RCMP Capital Program	1.3	2006/2007	N/A	Royal Canadian Mounted Police - housing construction and renovation, environmental projects, building upgrades and new construction including the planning and design of new detachments for Cartwright and Springdale. (Various)
Residential				
Affordable Housing Program	40.9	2001/2010	N/A	The objective of this program is to increase the supply of affordable housing in Newfoundland and Labrador by providing forgivable loan funding to assist in the creation of new affordable rental housing. Federal/Provincial cost-shared. (Various)
Apartment Renovations	8.0	2004/2006	14, 19	Northern Property REIT - capital improvements and upgrades on various apartment buildings. (Gander, St. John's)
Cottage Development	7.3	2001/2008	19	North Island Resorts (LC) Limited - construction of 50-60 outport style ocean view cottages. (Lance Cove, Bell Island)
Housing Development	25.0	2004/2008	19	Chester Dawe Ltd. - construction of 140 homes as a part of the "South Brook" housing development. (St. John's)
Housing Development	55.0	2000/2007	19	Leary's Brook Holdings - construction has begun on a housing development consisting of 300 homes, named "McNiven Estates". (St. John's)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Housing Development	200.0	2000/2015	19	Cabot Development - construction has begun on a housing development that will consist of 900 homes, named "Clovelly Trails". (St. John's)
Labrador West Seniors Complex	3.5	2006	2	Construction of a 78 bed retirement home with both level 1 and level 2 care. (Labrador City)
Property Redevelopment	12.0	2002/2011	19	Construction of the "McKie's Grove" subdivision. Includes a total of 32 townhouses, which will be completed and sold this year. Currently 11 townhouses are completed and sold and 12 more are being worked on. There are also three vacant lots which will be developed over the next five years. There will be a condominium complex developed on one of these three lots. (St. John's)
Provincial Home Repair Program	10.0	2006/2007	N/A	Newfoundland and Labrador Housing Corporation - a combination grant/loan program to aid low-income households with home repairs. Federal/Provincial cost-shared. (Various)
Seniors Complex	6.0	2002/2006	19	Squirrel Run Developments Limited - construction of 50 housing units named "The Meadows". The remaining 11 units are to be completed by October 2006. (St. John's)
Subdivision Development	45.0	2004/2007	19	Fairview Investments - construction has begun on a subdivision development consisting of 300 homes named "Grovesdale Park". (St. John's)
Subdivision Development	50.0	1996/2011	19	Karwood Estates - construction of 300-350 houses. Fifty are scheduled to be constructed this year. Project expenditures of $10 million for 2006. (Paradise)
Subdivision Development	120.0	2004/2014	19	Modern Homes Limited - construction of 800 houses. Phase I, construction of 62 single detached homes is complete. Phase II, construction of 64 additional units is 60% complete and Phase III is set to begin Spring 2006. (St. John's)
Subdivision Development	2.0-3.0	2006/2008	19	Paul Murphy Construction Limited - construction of a 12-lot residential subdivision on Winter Ave. (St. John's)

Major Capital Projects

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Subdivision Development	37.0	2006/2011	19	Reardon Construction and Development Ltd. - construction of 215 homes as part of the "South Brook" housing development. (St. John's)
Subdivision Development	11.0	2005/2006	19	Reardon Construction and Development Ltd. - construction of 28 semi-detached homes, 35 detached homes, and a day care centre. To be named, "Nature's Edge". (St. John's)
Waterfront Development	2.1	2006/2007	17	Reardon Construction and Development Ltd. - construction of a seven lot waterfront development. (Brigus)
Tourism/Culture/Recreation				
Arts and Culture Centres	1.3	2006	N/A	Renovation and repairs to Arts and Culture Centres throughout the province. Provincial funds. (Various)
Auditorium	4.0	2006/2008	3	Construction of performance space. Provincial funds. (Happy Valley-Goose Bay)
Building Redevelopment	2.5	2006/2007	19	King George Properties Inc. - refurbishment and revitalization of the 1912 King George V Building into 13 condominiums. (St. John's)
Hotel	1.7	2005/2006	19	Conversion of a former bingo and banquet hall into a 17 room hotel, 120 seat restaurant and a laundromat. (St. John's)
Humber Valley Resort - Development II	500.0	2004/2012	8	Humber Valley Resort Corporation - expansion of existing world class four-season resort will continue with the construction of 700 five-star chalets, cottage and condominium-style accommodation units. Amenities to be completed in phase II include expanded golf facilities, tennis courts, spa and other supporting infrastructure. (Humber Valley)
Improvements to Walkway System	1.3	2006	19	Grand Concourse Authority - spending for upgrades, naturalization and planting at various locations included in the Grand Concourse walkway system. Funding provided by the members of the Grand Concourse Authority which include community based and government groups. (St. John's, Mount Pearl, Paradise)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Pool Retrofit	2.6	2005/2006	19	Recreation complex retrofit began in Fall 2005 and is planned to be completed by Spring 2006. (Conception Bay South)
Provincial Historic Sites	2.1	2006/2009	N/A	Spending on various historic sites around the province. Estimated spending of $275,000 in 2006. Provincial funds. (Various)
Regional Museums	2.0	2006/2009	N/A	Spending on renovations and improvements to museums in the province. Estimated spending of $515,000 in 2006. Provincial funds. (Various)
Resort Development	30.0	2004/2009	7	Eastern Arm Enterprises - development of "Gros Morne Resort". Will include a 100 room hotel, 110 site RV park, marina, day park, hiking trails, 18 hole golf course, indoor beach, gas station, convenience store/fresh meat and fish market, and picnic area. (St. Paul's)
Resort/Residential Development	5.0	2004/2009	8	RTGO Developers Inc. - construction of a resort/residential development that will include 41 chalets, an administration building, a riverfront beach house, a service building, access roads, and floating dock facilities. (Deer Lake)
Revitalization of Downtown Core	5.2	1995/2008	8	Corner Brook Downtown Business Association - beautification of the downtown area of the city including sidewalk modifications and linkage into the Corner Brook Stream Trail System, heritage lighting, the planting of 600 trees and construction of a gazebo. To date, $4 million has been spent. Funding sources include federal, provincial and municipal governments as well as members of the Corner Brook Downtown Business Association. (Corner Brook)
Snowmobile Trails	11.4	1998/2006	N/A	Newfoundland and Labrador Snowmobile Federation - completion of the snowmobile trail system. Funded partially by the Atlantic Canada Opportunities Agency. (Various)
Visitor Information Centres	1.6	2006/2008	10, 17	Spending on construction/renovation of visitor information centres. Provincial funds. (Channel-Port aux Basques, Whitbourne)

Major Capital Projects

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Winter Trails	10.0	1998/2007	1, 2, 3, 4	Labrador Winter Trails Inc. - development of winter trails throughout Labrador. Funded through Atlantic Canada Opportunities Agency and HRSDC. (Various)
Transportation				
Canada Strategic Infrastructure Fund I	53.6	2005/2008	N/A	Program to allow improvements to roads on the National Highway System, primarily on the Trans Canada Highway. Projects are 50/50 cost-shared between the federal and provincial governments. Projected expenditures for the 2006/07 fiscal year are $29.7 million. (Various)
Canada Strategic Infrastructure Fund II	50.0	2006/2010	N/A	Various highway and regional trunk road construction projects. To be cost shared with the federal and municipal governments. (Various)
Labrador Coast Airstrips Restoration Program	5.0	2004/2009	N/A	Restoration of Labrador coastal airstrips and associated improvements at various airports. Federal Funds. (Various)
Marine Transportation	16.5	2006/2007	N/A	Maintenance of terminals and wharves, refits of existing vessels and design of new vessels. (Various)
Provincial Roads Program	60.0	2006/2007	N/A	Includes secondary road improvement projects in various parts of the province. Provincial funds. (Various)
Runway Resurfacing	20.0-25.0	2006/2007	3	Resurfacing of runways at 5 Wing Goose Bay. Phase I will start this year and end in 2007. Phase II will start and finish in 2007. Federal funds. (Happy Valley-Goose Bay)
Trans Labrador Highway Phase I Surfacing	100.0	2006/2011	2, 3	Application of a sealed surface on Phase I of Trans Labrador Highway between Happy Valley-Goose Bay and Wabush. Subject to 50/50 federal-provincial cost sharing. (Various)
Trans Labrador Highway Phase III	110.6	2004/2009	3, 4	Construction of the Trans Labrador Highway from Cartwright to Happy Valley-Goose Bay. Projected expenditures of $25.5 million for the 2006/07 fiscal year. Provincial funds. (Various)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Utilities				
Electric Utility Capital Program	66.2	2006	N/A	Newfoundland and Labrador Hydro - capital programs which include upgrades and improvements to transmission lines and distribution systems, improvements to generating facilities, replacement of an energy management system and a VHF mobile radio system, interconnection of Rencontre East and new equipment purchases. (Various)
Electrical Utility Capital Program	50.0	2006	N/A	Newfoundland Power Inc. - includes capital expenditures to further upgrade and enhance electricity system. (Various)

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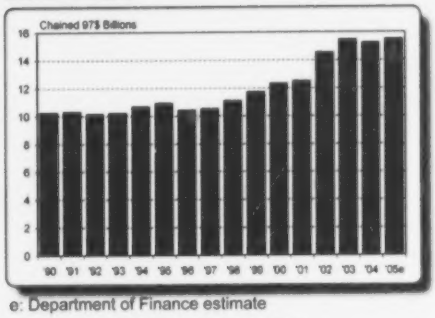
Statistical Indicators

Snowmobile trails

Real* GDP



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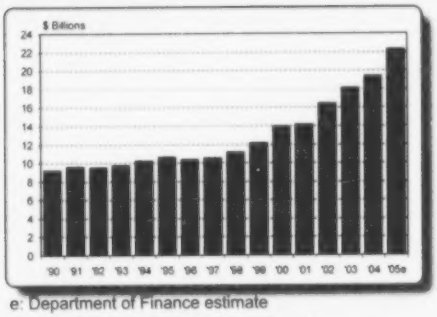
Nominal GDP



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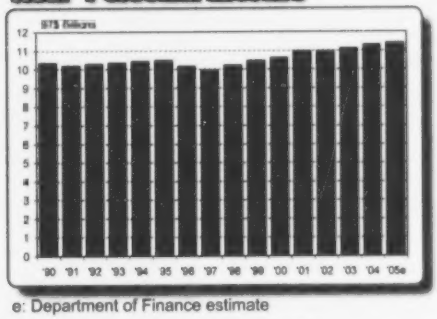
Real* Personal Income



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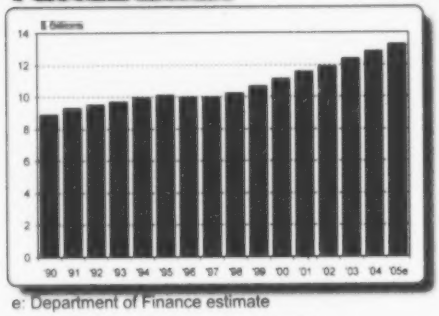
Personal Income



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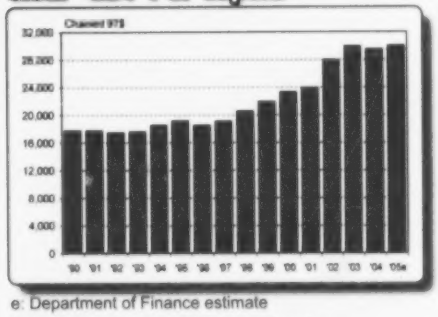
Real* GDP Per Capita



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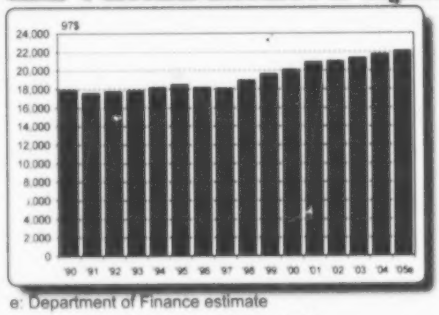
Real* Personal Income Per Capita



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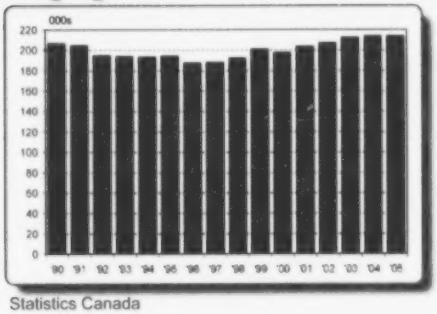
MV Arctic, Anaktalak Bay

Employment



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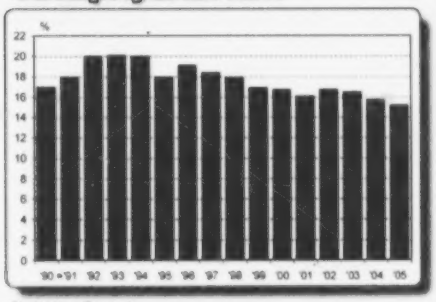
Unemployment Rate



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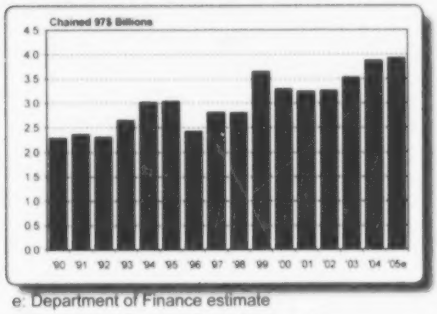
Real* Investment



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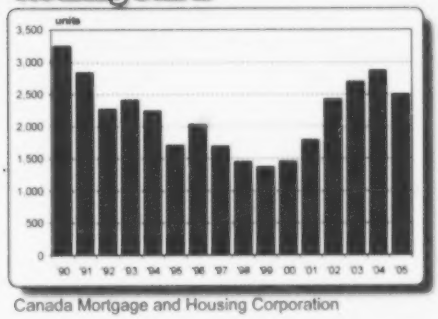
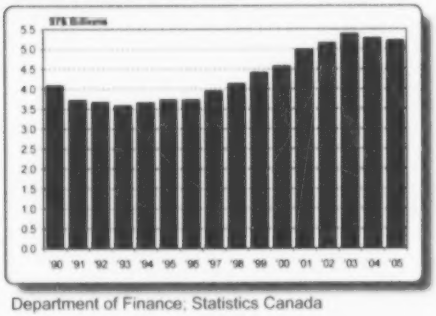
Housing Starts



Canada Mortgage and Housing Corporation

Real* Retail Sales



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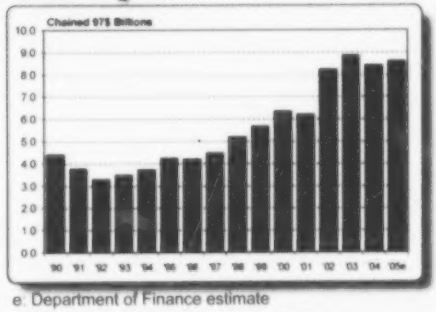
Real* Exports



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GDP and Employment by Industry

	2004 Real GDP (Chained 1997$ Millions)	2005 Employment (Person Years, 000s)
GOODS PRODUCING INDUSTRIES		
Agriculture	42.7	2.2
Forestry & Logging	81.9	1.5
Fishing, Hunting, & Trapping	276.0	8.8
Mining & Oil Extraction	2,403.5	4.9
Manufacturing	912.1	16.8
Fish Products	221.5	7.0
Other	690.6	9.8
Construction	799.3	12.4
Utilities	411.2	2.4
SERVICE PRODUCING INDUSTRIES		
Wholesale Trade	461.5	5.7
Retail Trade	780.0	32.8
Transportation & Warehousing	468.6	11.2
Finance, Insurance, Real Estate, & Business Support Services	1,937.3	15.0
Professional, Scientific & Technical Services	370.7	7.1
Educational Services	736.7	16.8
Health Care & Social Assistance	1,092.7	29.4
Information, Culture & Recreation	601.6	7.2
Accommodation & Food Services	260.7	13.5
Public Administration	1,107.9	14.7
Other Services	395.7	11.5
TOTAL, ALL INDUSTRIES	**13,534.3***	**214.1**

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products.

*Due to chain fisher volume index methodology, industry categories do not add to given total.

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